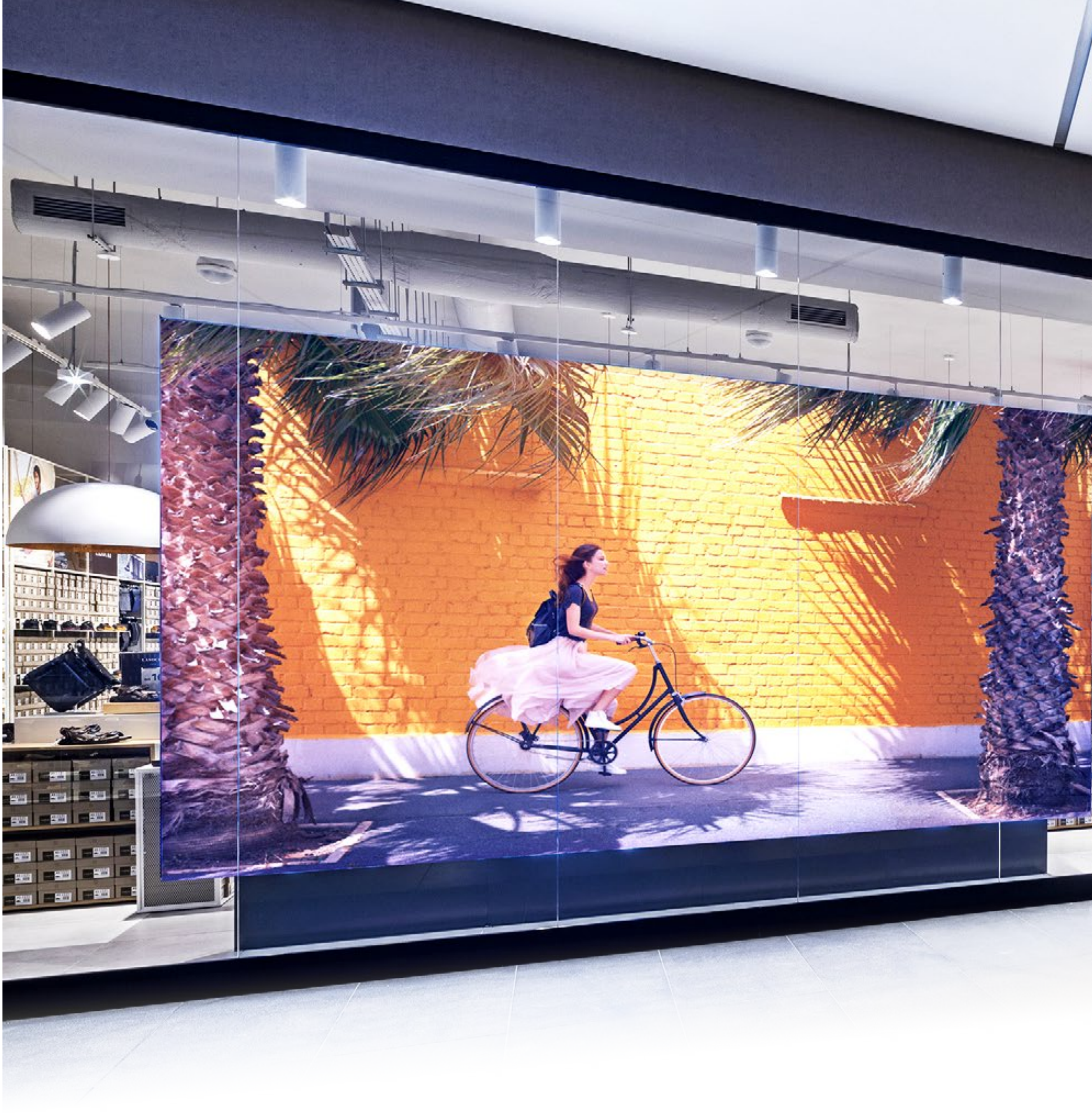
# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP CCC S.A. FOR THE PERIOD 01.01.2018–30.06.2018

CCC
SHOES & BAGS



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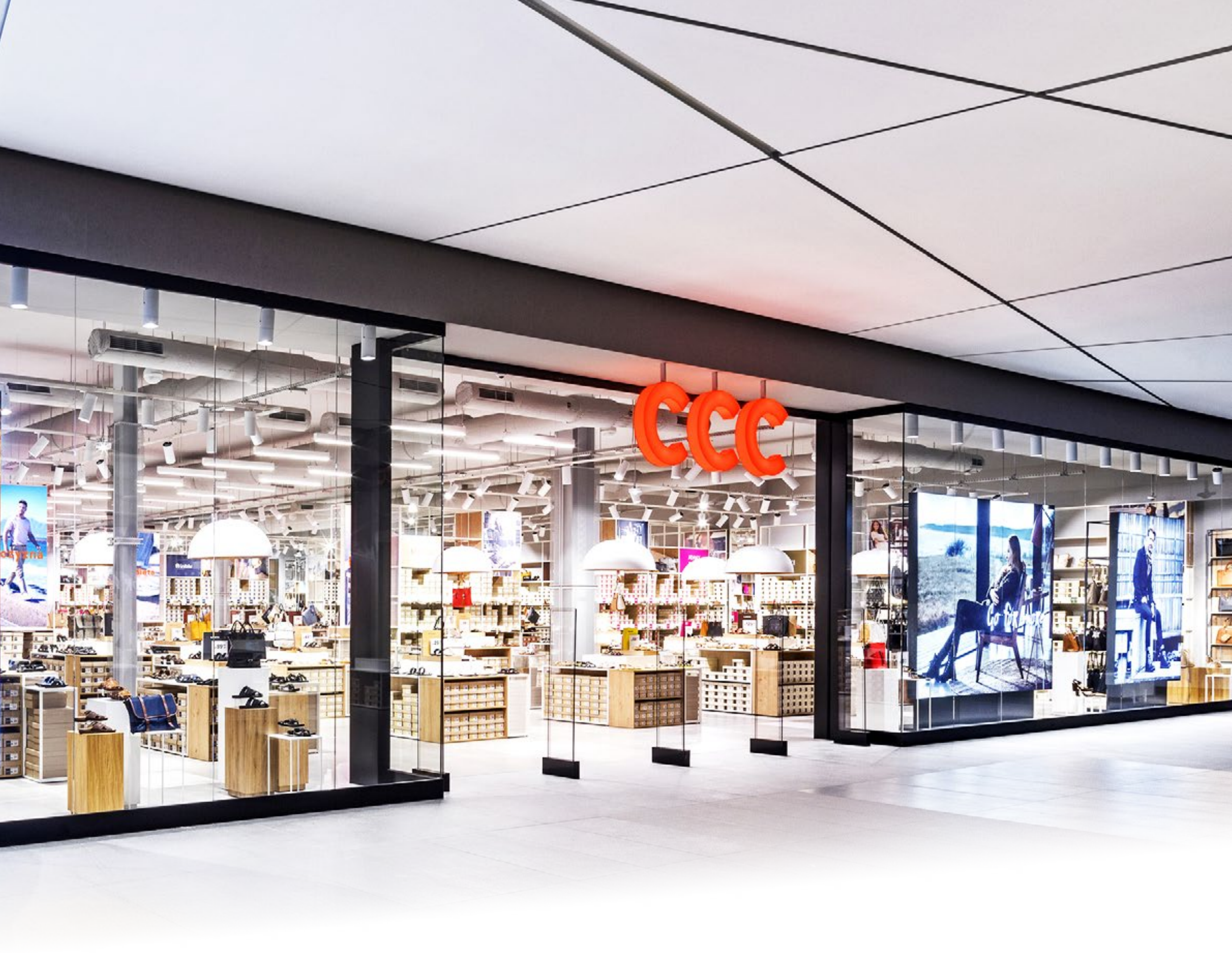


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# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| NOTE | | 01.2018-06.2018 | 04.2018-06.2018 | 01.2017-06.2017 | 04.2017-06.2017 |
|---|---|---|---|---|---|
| | | UNAUDITED | | | |
| 2 | Sales revenue | 2 026,4 | 1 332,3 | 1 846,2 | 1 125,8 |
| 3.1 | Cost of sale of goods | (977,9) | (615,8) | (907,8) | (538,1) |
| | **Gross profit (loss) on sale** | 1 048,5 | 716,5 | 938,4 | 587,7 |
| 3.1 | Cost of operating stores | (629,4) | (329,3) | (538,1) | (281,5) |
| 3.1 | Other cost of sale | (281,9) | (172,5) | (195,0) | (107,6) |
| 3.1 | Administrative expenses | (81,8) | (43,3) | (44,3) | (22,0) |
| 3.2 | Other cost and operating revenue | 67,4 | 70,9 | 2,9 | 3,5 |
| | **Operating profit (loss)** | 122,8 | 242,3 | 163,9 | 180,1 |
| 3.2 | Finance revenue | 16,7 | 10,3 | 1,5 | 1,2 |
| 3.2 | Finance cost | (64,4) | (39,7) | (35,6) | (16,8) |
| | **Profit (loss) before tax** | 75,1 | 212,9 | 129,8 | 164,5 |
| 3.3 | Income tax | (9,3) | (3,0) | (16,7) | (13,8) |
| | **NET PROFIT (LOSS)** | 65,8 | 209,9 | 113,1 | 150,7 |
| | Attributable to shareholders of the parent company | 58,5 | 204,2 | 105,2 | 148,2 |
| | Attributable to non-controlling interest | 7,3 | 5,7 | 7,9 | 2,5 |
| | **Other comprehensive income** | | | | |
| | Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities | 7,9 | 4,4 | (1,2) | (1,0) |
| | Non-attributable to be reclassified to result – other | — | | — | |
| | **Total net comprehensive income** | 7,9 | 4,4 | (1,2) | (1,0) |
| | **TOTAL COMPREHENSIVE INCOME** | 73,7 | 214,3 | 111,9 | 149,7 |
| | Attributable to shareholders of the parent company | 66,4 | 208,7 | 104,0 | 147,2 |
| | Attributable to non-controlling interest | 7,3 | 5,7 | 7,9 | 2,5 |
| | **Weighted average number of ordinary shares (mln pcs)** | 41,2 | 41,2 | 39,2 | 39,2 |
| | **Basic earnings per share (in PLN)** | 1,60 | 5,10 | 2,89 | 3,84 |
| | **Diluted earnings per share (in PLN)** | 1,60 | 5,10 | 2,89 | 3,84 |

i MORE INFORMATION IN SECTION **2.1.1.1** IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

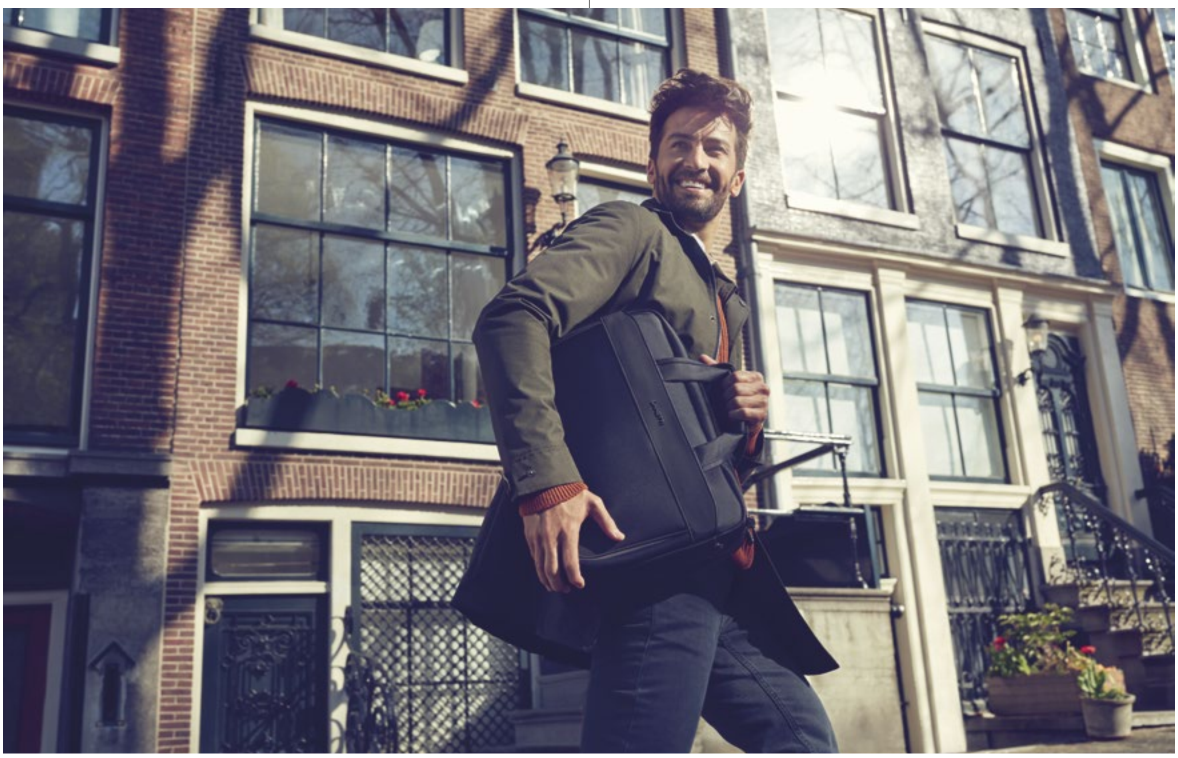
# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| NOTE | | 30.06.2018 | 31.12.2017 |
|---|---|---|---|
| | | UNAUDITED | |
| 5.1 | Intangible assets | 213,7 | 197,5 |
| | Goodwill | 149,9 | 106,2 |
| 5.2 | Tangible fixed assets – investments in stores | 607,7 | 393,0 |
| 5.2 | Tangible fixed assets – factory and distribution | 339,9 | 323,8 |
| 5.2 | Tangible fixed assets – other | 79,1 | 70,2 |
| 5.3 | Right of use of assets | 2 453,8 | — |
| 3.3 | Deferred tax assets | 75,9 | 63,4 |
| | Non-current receivables | 1,9 | |
| | Total non-current assets | 3 921,9 | 1 154,1 |
| 5.4 | Inventories | 1 845,3 | 1 417,7 |
| 5.5 | Trade receivables | 120,3 | 95,7 |
| | Income tax receivables | 6,8 | 25,8 |
| 5.5 | Loans granted | 11,2 | 9,1 |
| 5.5 | Other receivables | 318,2 | 155,4 |
| 5.6 | Cash and cash equivalents | 709,2 | 511,6 |
| | Derivative financial instruments | 15,8 | 0,5 |
| | Total current assets | 3 026,8 | 2 215,8 |
| | TOTAL ASSETS | 6 948,7 | 3 369,9 |
| 4.2 | Debt liabilities | 210,0 | 436,0 |
| | Deferred tax liabilities | 40,7 | 33,2 |
| 5.8 | Provisions | 17,2 | 9,4 |
| 5.2 | Grants received | 20,1 | 21,3 |
| 6.2 | Obligation to repurchase non-controlling interests | 844,4 | 777,9 |
| 5.3 | Lease liabilities | 1 971,2 | — |
| | Total non-current liabilities | 3 103,6 | 1 277,8 |
| 4.2 | Debt liabilities | 1 046,4 | 481,1 |
| 5.7 | Trade liabilities | 763,8 | 235,8 |
| 5.7 | Other liabilities | 300,2 | 166,6 |
| 3.3 | Income tax liabilities | 13,0 | 26,6 |
| 5.8 | Provisions | 33,3 | 11,3 |
| 5.2 | Grants received | 2,4 | 2,4 |
| 5.3 | Lease liabilities | 519,7 | — |
| | Total current liabilities | 2 678,8 | 923,8 |
| | TOTAL LIABILITIES | 5 782,4 | 2 201,6 |
| | NET ASSETS | 1 166,3 | 1 168,3 |

[in PLN million unless otherwise stated]

| NOTE | | 30.06.2018 | 31.12.2017 |
|---|---|---|---|
| | | UNAUDITED | |
| | Equity | | |
| 4.1 | Share capital | 4,1 | 4,1 |
| | Share premium | 644,9 | 644,9 |
| | Exchange rate differences from the translations | 6,5 | (1,3) |
| | Actuarial valuation of employee benefits | — | (0,3) |
| | Retained earnings | 382,1 | 453,1 |
| | Equity attributable to the shareholders of the parent entity | 1 037,6 | 1 100,5 |
| | Non-controlling interests | 128,7 | 67,8 |
| | TOTAL EQUITY | 1 166,3 | 1 168,3 |
| | TOTAL EQUITY AND LIABILITIES | 6 948,7 | 3 369,9 |

i MORE INFORMATION IN SECTION **2.1.1.2** IN STATEMENTS OF OPERATIONS OF THE GROUP



[in PLN million unless otherwise stated]

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| NOTE | | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|---|
| | | UNAUDITED | |
| | **Profit before tax** | 75,1 | 129,8 |
| 4.4 | Amortization and depreciation | 279,4 | 39,9 |
| | Loss on investment activity | (4,4) | 1,3 |
| 4.2 | Cost of borrowings | 30,7 | 15,0 |
| 4.4 | Other adjustments to profit before tax | (28,6) | 4,3 |
| 3.3 | Income tax paid | (14,0) | (37,9) |
| | **Cash flow before changes in working capital** | 338,2 | 152,4 |
| | **Changes in working capital** | | |
| 5.4 | Change in inventory and inventory write-downs | (317,2) | (340,3) |
| 4.4 | Change in receivables | (146,8) | (75,1) |
| 4.4 | Change in current liabilities, excluding borrowings | 469,5 | 115,8 |
| | **Net cash flows from operating activities** | 343,7 | (147,2) |
| | Proceeds from the sale of tangible fixed assets | 28,6 | 4,8 |
| 4.4 | Repayment of loans granted and interest | 5,6 | — |
| 5.2, 5.1 | Purchase of intangible and tangible fixed assets | (131,8) | (92,4) |
| 5.5 | Loans granted | (7,6) | — |
| | Purchase of investment in Karl Voegele AG and Shoe Express S.A. | (131,1) | (5,0) |
| | **Net cash flows from investing activities** | (236,3) | (92,6) |
| 4.2 | Proceeds from borrowings | 309,9 | 437,8 |
| 4.2 | Issue of bonds | 209,4 | — |
| | Repayment of bonds | (209,3) | |
| 4.2 | Lease payments | (201,4) | — |
| | Interest and commissions paid | (29,3) | (15,0) |
| | Proceeds from the issue of shares | — | 2,2 |
| | **Net cash flows from finance activities** | 79,3 | 425,0 |
| | **TOTAL CASH FLOWS** | 186,7 | 185,2 |
| | Net increase/decrease of cash and cash equivalents | 197,6 | 185,2 |
| | Exchange rate changes on cash and cash equivalents | 10,9 | — |
| | **Cash and cash equivalents at beginning of period** | 514,1 | 143,4 |
| | **Cash and cash equivalents at the end of period** | 700,7 | 328,6 |

i MORE INFORMATION IN SECTION **2.1.1.3** IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | SHARE CAPITAL | SHARE PREMIUM | RETAINED EARNINGS | EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES | ACTUARIAL VALUATION OF EMPLOYEE BENEFITS | NON–CONTROLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|
| As of 31.12.2017 (01.01.2018) | 4,1 | 644,9 | 453,1 | (1,3) | (0,3) | 67,8 | 1 168,3 |
| Net profit for the period | — | — | 65,8 | — | | | 65,8 |
| Actuarial valuation of employee benefits | | | | | 0,3 | | 0,3 |
| "Net profit attributable to non-controlling interests" | | | (7,3) | | | 7,3 | — |
| Exchange rate differences from the translations | — | — | — | 7,8 | — | — | 7,8 |
| Total comprehensive income | — | — | 58,5 | 7,8 | 0,3 | 7,3 | 73,9 |
| Dividend registered | — | — | (94,7) | — | — | — | (94,7) |
| Valuation of employee option scheme | — | — | 19,1 | — | — | — | 19,1 |
| Non-controlling interest resulting from the acquisition of a 70% stake in Karl Voegele AG | | — | — | — | | 53,6 | 53,6 |
| Total transactions with owners | — | — | (75,6) | — | — | 53,6 | (22,0) |
| The effect of the option recognition regarding the acquisition of non-controlling shares of Karl Voegele AG | | | (53,9) | | — | | (53,9) |
| As of 30.06.2018 (01.07.2018) | 4,1 | 644,9 | 382,1 | 6,5 | — | 128,7 | 1 166,3 |

| | SHARE CAPITAL | SHARE PREMIUM | RETAINED EARNINGS | EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES | ACTUARIAL VALUATION OF EMPLOYEE BENEFITS | NON–CONTROLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|
| As of 01.01.2017 | 3,9 | 119,2 | 793,8 | 1,8 | | 52,4 | 971,1 |
| Net profit for the period | | — | 113,1 | — | | — | 113,1 |
| Net profit attributable to non-controlling interests | | | (7,9) | | | 7,9 | — |
| Exchange rate differences from the translations | | — | — | (1,2) | | — | (1,2) |
| Total comprehensive income | | — | 105,2 | (1,2) | | 7,9 | 111,9 |
| Dividend registered | | — | (101,4) | — | | — | (101,4) |
| Issue of shares | — | 2,2 | | | | | 2,2 |
| Total transactions with owners | — | 2,2 | (101,4) | — | | — | (99,2) |
| As of 30.06.2017 | 3,9 | 121,4 | 797,6 | 0,6 | — | 60,3 | 983,8 |

[in PLN million unless otherwise stated]

| | SHARE CAPITAL | SHARE PREMIUM | RETAINED EARNINGS | EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES | ACTUARIAL VALUATION OF EMPLOYEE BENEFITS | NON–CONTROLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|
| As of 01.01.2017 | 3,9 | 119,2 | 793,8 | 1,8 | | 52,4 | 971,1 |
| Net profit for the period | | — | 302,3 | — | | | 302,3 |
| Actuarial valuation of employee benefits | | | | | (0,3) | | (0,3) |
| Net profit attributable to non-controlling interests | | | (15,4) | | | 15,4 | — |
| Exchange rate differences from the translations | | — | — | (3,1) | | — | (3,1) |
| Total comprehensive income | | — | 286,9 | (3,1) | (0,3) | 15,4 | 299,0 |
| Dividend payment | | — | (101,4) | — | | — | (101,4) |
| Valuation of employee option scheme | | | 8,2 | — | | — | 8,2 |
| Issue of shares | 0,2 | 525,7 | | | | | 525,9 |
| Total transactions with owners | 0,2 | 525,7 | (93,2) | — | | — | 432,7 |
| Commitment to purchase own shares of eobuwie.pl S.A. | | — | (534,4) | — | | — | (534,4) |
| As of 31.12.2017 (01.01.2018) | 4,1 | 644,9 | 453,1 | (1,3) | (0,3) | 67,8 | 1 168,3 |

[in PLN million unless otherwise stated]

# NOTES

## 1. GENERAL INFORMATION

| | |
|---|---|
| Name of the company: | CCC Spółka Akcyjna |
| Headquarters: | ul. Strefowa 6, 59-101 Polkowice |
| Registration: | District Court for Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register |
| National Court Register/ KRS/: | 211692 |
| Corporate purpose: | The Group's primary corporate purpose according to the European Classification of Economic Activities is wholesale and retail trade of clothing and footwear (ECEA 5142) |

The Company CCC S.A. ( the parent entity in the Capital Group CCC S.A. (hereinafter: Parent Entity) has been listed on the Warsaw Stock Exchange S.A. in Warsaw since 2004.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 „Interim Financial Reporting" as adopted by the EU („IAS 34"). Items included in the financial statements of individual Group entities are valued in the currency of the primary economic environment in which the particular entity operates („functional currency"). The consolidated financial statements are presented in PLN currency, which is the presentation currency of the Group. The financial statements have been prepared in accordance with the historical cost principle.

The interim condensed financial statements of the Group cover the six-month period ended 30 June 2018 and include comparative data for the six months ended 30 June 2017 and as of 31 December 2017. The statements of comprehensive income and notes to the statements of comprehensive income covering the data for the 3-month period ended 30 June 2018 and the comparative data for the 3-month period ended 30 June 2017 were not reviewed or audited by an auditor.

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Group's consolidated financial statements for the year ended 31 December 2017 approved for publication on 22.06.2017.

[in PLN million unless otherwise stated]

The most important accounting principles applied in the preparation of these financial statements are presented in the context of successive individual notes. These principles were applied in all presented years in a continuous manner, except the changes resulting from implementation of IFRS 9, IFRS 16 and IFRS 16. The list of the most important accounting policies and estimates and judgments for each item of reports on financial results and financial position are presented below:

| NOTE | TITLE | ACCOUNTING POLICIES (Y/N) | CRITICAL ESTIMATES AND JUDGEMENTS (Y/N) | PAGE |
|---|---|---|---|---|
| 2 | Sales revenue | T | | 14 |
| 3.1 | Cost of sales of goods | T | | 25 |
| 3.1 | Cost of operating stores | T | | 25 |
| 3.1 | Other cost of sales | T | | 25 |
| 3.1 | Administrative expenses | T | | 25 |
| 3.1 | Lease costs | T | T | 25 |
| 3.2 | Other operating and finance costs and revenues | T | | 26 |
| 3.3 | Income tax | T | T | 29 |
| 3.3 | Deferred tax assets | T | T | 31 |
| 3.3 | Income tax liabilities | T | | 29 |
| 4.1.1 | Equity | T | T | 34 |
| 4.2 | Debt liabilities | T | | 37 |
| 5.1 | Intangible assets | T | T | 40 |
| 5.3 | Tangible fixed assets | T | | 44 |
| 5.3 | Grants received | T | | 44 |
| 5.2 | Rights of use of assets | T | T | 41 |
| 5.2 | Lease liabilities | T | | 41 |
| 5.4 | Inventories | T | T | 46 |
| 5.5 | Loans granted | T | | 47 |
| 5.5 | Trade receivables | T | | 47 |
| 5.5 | Other receivables | T | | 47 |
| 5.6 | Cash and cash equivalents | T | | 49 |
| 5.7 | Trade liabilities | T | | 50 |
| 5.7 | Other liabilities | T | | 50 |
| 5.8 | Provisions | T | | 51 |
| 6.1 | Financial instruments | T | | 52 |
| 6.4 | Cost of incentive program | T | T | 63 |

## BASIS OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared assuming that the Group will continue its business operations in the foreseeable future i.e. at least one year after the balance sheet date. As at the date of publication of the condensed separate financial statements, there are no circumstances indicating the risk of continuing the Group's operations for at least one year from the balance sheet date.

## APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

## IFRS 9 „FINANCIAL INSTRUMENTS"

International Financial Reporting Standard 9 Financial instruments („IFRS 9"). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. It applies to annual periods beginning on 1 January 2018 and later.

The Group applies IFRS 9 from the effective date of the standard, without transforming the like-for-like data.

In the Group's opinion, the implementation of the standard has no significant impact on the accounting principles (policy) applied to the Group's operations and its financial results except for the effects of the application of IFRS 9 in terms of write-down. The Group has not identified an increase in write-down losses, with a negative impact on equity, as discussed below.

**a) Classification and valuation**

The Group has not identified a material impact on the statement of financial position and equity in connection with the application of IFRS 9 in the area of classification and valuation. All financial assets currently measured at fair value are measured at fair value.

Trade receivables are maintained to obtain cash flows resulting from the agreement, and the Group does not sell trade receivables as part of factoring – they are still valued at amortized cost by the financial result. The Group benefits from practical exemption and for trade receivables under 12 months does not identify significant elements of financing. In the case of trade receivables, due to the nature of receivables, an write-down loss along with the associated deferred tax asset is relatively small due to the prevailing cash sales.

**b) Write-down**

In accordance with IFRS 9, the entity measures the write-down for expected credit losses in the amount equal to the 12-month expected credit loss or expected credit losses in the life of the financial instrument. In the case of trade receivables, the Group applies a simplified approach and measures the write-off for expected credit losses in the amount equal to the expected credit losses over the whole life period due to. In addition, receivables are related to retail and franchise operations, which is why they are characterized by a low level of non-recoverability risk.

As a result of tests for impairment of trade receivables, no write-down loss was made.

The implementation of the standard did not significantly affect the statement of financial position and equity, in the area of classification and valuation. At the same time, financial assets previously measured at fair value continue to be measured at fair value.

Trade receivables are maintained in order to obtain cash flows resulting from the agreement, and the Group does not sell trade receivables as part of factoring – they are measured at amortized cost by the financial result.

The company benefits from practical exemption and for trade receivables under 12 months, it does not identify significant elements of financing.

In the case of trade receivables, due to the nature of receivables, an impairment loss along with the related deferred tax asset is immaterial due to the prevailing cash sale.

## IFRS 15 „REVENUE FROM CONTRACTS WITH CUSTOMERS"

In accordance with IFRS 15, revenues are recognized in the amount of remuneration that the entity is entitled to in exchange for transferring the promised goods or services to the customer. The new standard replaces the existing requirements for recognizing revenues in accordance with IFRS. The standard applies to annual reporting periods beginning on 1 January 2018 and later.

The Group applies IFRS 15 from the effective date of the standard, using the simplified method.

IFRS 15 introduces new requirements regarding the presentation and disclosure. The fundamental principle of the new standard is to recognize revenue at the time of transferring goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished within the package, should be recognized separately, moreover, any discounts and rebates relating to the transaction prices should in principle be allocated to the individual elements of the package. Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sales of non-financial assets (such as property, plant and equipment and intangible assets), if such sales do not take place in the ordinary course of business.

In accordance with the requirements of IFRS 15, the Group presents recognized revenues from contracts with customers, broken down into categories, which reflect the manner in which economic factors affect the nature, amount, payment date and uncertainty of revenues and cash flows. It also discloses in the table below information that will enable users of financial statements to understand the relationship between the disclosure of revenue divided into categories and the revenue information that the entity discloses for each reporting segment.

[in PLN million unless otherwise stated]

## SALES REVENUES

<table>
<tr><th rowspan="2">THE COMPANY OPERATES IN THE AREA OF</th><th rowspan="2">TIME OF INCOME RECOGNITION</th><th colspan="2">AS PART OF THE ASSESSMENT OF THE IMPACT OF THE INTRODUCTION OF IFRS 15, THE COMPANY CONSIDERED, INTER ALIA, THE FOLLOWING ASPECTS:</th></tr>
<tr><th>VARIABLE REMUNERATION</th><th>GUARANTEES</th></tr>
<tr><td>Retail sales of goods</td><td rowspan="3">The contract contains only one obligation to perform the service – sales of the goods, therefore, the Group assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Group's financial results under such agreements will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods.</td><td>In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes a part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration shall cease.<br><br>• The right to return<br>The Group grants customers the right to return unused goods within 7 days from the date of purchase.</td><td>The Group provides a guarantee for the goods sold. Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service. The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.</td></tr>
<tr><td>Wholesale of goods</td><td colspan="2">N/D</td></tr>
<tr><td>E-commerce sales</td><td>In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes a part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration shall cease.<br><br>• The right to return<br>The Group grants customers the right to return unused goods within 30 days from the date of purchase. Therefore, the Group presents write-down on this account and recognizes it on an ongoing basis in the financial result.</td><td>The Group provides a guarantee for the goods sold. Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service. The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.<br><br>As a result, the Company expects no impact of adopting IFRS 15 on the consolidated financial statements for the year ended 31 December 2017.</td></tr>
</table>

The Group presents the lack of impact of adoption of IFRS 15 on the consolidated financial statements for the year ended 30 June 2018.

## IFRS 16 „LEASES"

The companies from the Group are parties to lease agreements as a lessee. The prevailing contracts are rental agreements for store space.

The company decided to earlier implementation the IFRS 16 Leasing standard, which obligatorily covers all companies preparing their reports in accordance with IFRS for the financial year 2019. This resulted in changes in the accounting principles adopted so far. The company chose a modified retrospective approach.

IFRS 16 Leasing has a material impact on the Company's financial statements, as part of its operations, it is a party to lease agreements for premises in which it sells, rents warehouse and office space, car leasing and servers. These contracts have so far been classified in accordance with IAS 17 as operating lease, and as a result, fees for this have been included in operating costs as the contract period expires in amounts resulting from invoices.

In accordance with IFRS 16 Leases, the Company has implemented uniform accounting principles that require lessees to recognize assets and liabilities in all lease agreements, taking into account the exceptions listed in the standard.

The Company recognizes a component of assets due to the right of use together with an appropriate leasing liability determined in the amount of discounted future payments during the leasing period.

Expenses related to the use of leased assets, previously included in the operating costs of stores or in other selling costs in the „lease" item, are now presented in operating costs of stores or in other selling costs in the as depreciation and n finance costs as interest expenses. The valuation of the lease liability is periodically settled with the lease payments. Assets due to the right of use are amortized on a straight-line basis, while liabilities under lease agreements are settled effective interest rate.

The implementation of IFRS 16 has an impact on almost all commonly used financial ratios and measures of effectiveness such as: debt ratios, current liquidity ratio, asset turnover ratio, interest coverage ratio, EBITDA, EBIT, operating profit, net profit, earnings per share (EPS) , return ratios on capital employed (ROCE, ROE) and operational cash flow. Definitions of ratios used by the Company are included in the Report on the activities of the management board. These changes also affect the covenants included in loan agreements, credit ratings and loan costs, and may also be reflected in changes in behavior on the financial market. This is related to the fact that the operating lease costs, which were previously settled above EBITDA, were replaced by depreciation costs of assets under the right of use presented in the operating costs of stores. In addition, the financial costs include interest on discounted leasing liabilities and exchange rate differences due to the valuation of these liabilities. The Company, in the scope of selected credit agreements, in which covenants occur, uses indicators excluding the impact resulting from the implementation of IFRS 16 Leasing.

The application of IFRS 16 requires the Company to analyze data and make estimates and calculations that affect the measurement of lease liabilities and the valuation of assets under the right of use. They include: assessing whether the contract includes leasing in accordance with IFRS 16 and determining the period of validity.

The company performs a detailed analysis of the duration of its contracts, in particular in terms of the extension options that it is entitled to in selected contracts. A detailed evaluation of the potential for using these options is made on the basis of management information regarding, inter alia, individual result and profitability of a given store but also expert knowledge. The described analysis concerns agreements that end in the perspective of a 12-month period. The adopted period results from business rationality, which can be applied to the adopted analysis. If the Management Board decides to extend such a lease agreement, the period of its duration accepted for the valuation is extended by the activated period of the extension option resulting from the contract. Contracts for an indefinite period of time are not subject to valuation in accordance with IFRS 16.

The current value of the lease payment is determined using the marginal interest rate. The company determines the risk-free rate based on available interest rate curves, corresponding to the currencies in which leasing contracts and cash-flow maturity dates resulting from concluded contracts are denominated. The rate is between 0.41% and 4.97%.

The impact of the implementation of IFRS 16 on the financial statements as at 1 January 2018 is as follows:

| | |
|---|---|
| Recognition of the asset due to the right of use | 2 076,1 |
| Recognition of lease liabilities | 2 076,1 |

## PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE NOT EFFECTIVE YET AND HAD NOT BEEN EARLY ADOPTED BY THE GROUP

### a) IFRIC Interpretation 22 *Foreign Currency Transaction and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advances consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt in advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

### b) Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarifies when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group's consolidated financial statements.

### c) Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transaction*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

These amendments do not have any impact on Group's consolidated financial statements.

### d) Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

These changes do not apply to the Group.

### e) Amendments to IAS 28 *Investments in Associates and Joint Ventures as a part of Amendments resulting from the review of IFRSs 2014-2016*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

These amendments do not have any impact on Group's consolidated financial statements.

### f) Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards as part of amendments resulting from the review of IFRSs 2014-2016*

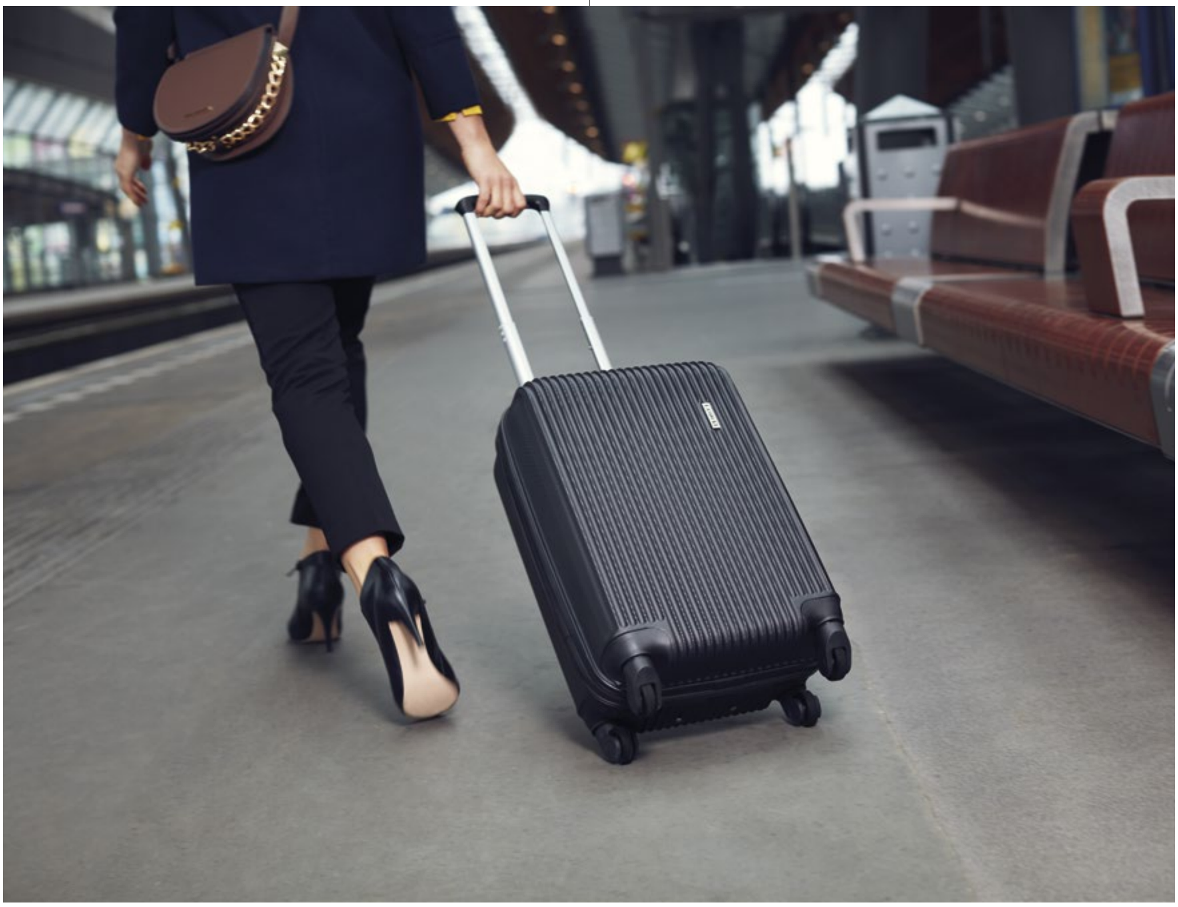
Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

These amendments do not have any impact on the Group's consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective in the light of European Union regulations.

# 2. SEGMENTS

The financial data prepared for management reporting purposes are based on the same accounting policies as used in the preparation of the consolidated financial statements.



ACCOUNTING POLICY

The sales revenues recognize revenues from sales of goods, products and sublease services achieved in the normal course of business.

Revenue from sales is recognized at the fair value received or receivable for the sales of goods and services in the ordinary course of business of the Group. Revenue is shown after the deduction of value-added tax, returns, rebates and discounts and also after eliminating sales within the Group.

**Revenue from sales of goods and products – wholesale**

The Group sells footwear handbags, shoe care products, small leather goods and clothing in the wholesale domestic market and foreign market. In the domestic market sales are made on the basis of franchise concluded agreements. Revenue from sales is recognized at the time the contractor is transferred the significant risks and benefits related to the ownership of the goods.
The Group has all the risks associated with product obsolescence and after-sales service for the retail customer, i.e. the Group is obliged to cover the costs incurred in this connection and receive the goods coming from the complaints handling. Principles of creating provisions for warranty repairs are presented in Note 5.7.

**Revenue from sales of goods and products – retail sales**

The Group sells footwear, handbags, shoe care products, small leather goods and clothing through a network of its own stores located throughout the country. Revenue from sales is recognized upon delivery of the goods to the customer in the store. Retail sales is conducted mainly in cash or by payment cards. The Group applies a policy of return of goods by the customer within 7 days from the date of purchase. In order to estimate the size of returns and the creation of provisions, the previous experience is applied. Principles of creating provisions for warranty repairs are presented in Note 5.7.

**Revenue from the sales of goods – e-commerce sales**

The group sells footwear, bags, shoe care accessories, small leather finery via the online stores operating on local and foreign markets. Sales revenue is recognized when the goods are delivered to the customer. In order to estimate the amount of returns and create provisions for them, the current experience gained is used. Principles for establishing provisions for warranty repairs are presented in Note 5.7

**Revenue from premises sublease services**

The Group is a party to the lease agreements and sublease of premises used to conduct retail business. Sublease agreements are concluded with business partners cooperating with the Group on the basis of franchise agreements. Therefore, the Group makes re-invoicing of lease costs for a contractor running business in a given location. In the consolidated financial statements, the Group presents the margin, it is the value of revenues less the costs associated with the title of revenue. Revenue from sublease services is recognized for the period to which lease or sublease applies.

Operating segments are presented in a manner consistent with internal reporting submitted to the chief operating decision-maker, on the basis of which he shall evaluate the results and decide on the allocation of resources. The main operating decision-maker is the Board of the Parent Company.

The Management Board verifies Group's performance from the geographical and product perspective:

- from a geographical perspective, the Management Board analyses the activities in Poland, the European Union and other countries;
- from the perspective of product, the Management Board examines the wholesale and retail activities in each of these geographic areas.

The Group identifies the following operating and reporting segments:

| REPORTING SEGMENT | DESCRIPTION OF THE REPORTING SEGMENT AND USED MEASURES OF THE RESULT | PREMISES OF AGGREGATION OF OPERATING SEGMENTS INTO REPORTING SEGMENTS, INCLUDING ECONOMIC CIRCUMSTANCES TAKEN INTO ACCOUNT IN ASSESSING THE SIMILARITY OF THE ECONOMIC CHARACTERISTICS OF THE OPERATING SEGMENTS |
|---|---|---|
| Distribution activities – retail in Poland.<br>Stores operate in the chain CCC. | Each own individual store operating in the said country constitutes the cash generating center.<br>Stores sell footwear handbags shoe care products, small leather goods and clothing in their own facilities, within the chain CCC.<br>Measures of the result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold, direct selling costs relating to the operations of the retail chain (stores operating costs) and the cost of organizational units supporting the sales. | The financial information was aggregated in total for the chain CCC geographic markets due to:<br>Similarity of long-term average gross margins,<br>• Similar nature of the goods ( such as footwear, handbags, shoe care accessories, clothing accessories),<br>• Similar way of distributing the goods,<br>• Similar categories of customers (sales made in own facilities and directed to retail customers) |
| Distribution activities – retail in the European Union – Central and Eastern Europe (Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Bulgaria)<br>Stores operate exclusively in the chain CCC. | | |
| Distribution activities – retail in the European Union – Western Europe (Austria, Germany) Stores operate exclusively in the chain CCC. | | |
| Distribution activities – retail in other countries (Russia, Serbia)<br>Stores operate exclusively in the chain CCC. | | |
| Distribution activities – e-commerce | The whole activity is conducted by the company eobuwie.pl S.A. dealing with the distribution of goods via the Internet.<br>The Company sells footwear, handbags, shoe care accessories, small fashion finery, etc. to domestic and foreign retailers.<br>Measures of the result is the gross sales profit calculated in relation to the external sales and the operating result of the segment, which is the difference between the sales, the cost of goods sold and the direct sales costs related to the functioning of the sales channel (e.g. logistics costs). | |
| Distribution activities – wholesale | The whole activity is carried out by CCC.eu dealing with the distribution of goods to the companies Group.<br>The Company sells footwear, handbags, shoe care products, clothing accessories to domestic and foreign franchisees and other wholesale customers.<br>Measures of result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold and direct selling costs relating to the operation of the distribution network (including logistics costs). | |
| Manufacturing activities | Manufacturing of leather shoes for women is carried out in Poland. Measures of result is the result of operating segment being the difference between the sales, cost of sales of products and direct costs of sales. | |

i MORE INFORMATION IN SECTION **1.3** (BUSINESS MODE) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

| 01.2018-06.2018 | DISTRIBUTION ACTIVITY | | | | | | MANUFACTURING ACTIVITY | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | RETAIL | | | | E-COMMERCE | WHOLESALE | | |
| | POLAND | UE – CEE | UE – WESTERN EUROPE | OTHER COUNTRIES | | | | |
| Total sales revenue | 919,2 | 422,4 | 179,8 | 45,7 | 400,3 | 1 096,3 | 131,3 | 3 195,0 |
| Revenue from sales to other segments | — | — | — | — | — | (1 037,5) | (131,1) | (1 168,6) |
| Revenue from sales from external customers | 919,2 | 422,4 | 179,8 | 45,7 | 400,3 | 58,8 | 0,2 | 2 026,4 |
| Gross profit on sale | 482,3 | 249,5 | 108,8 | 24,5 | 165,0 | 18,6 | (0,2) | 1 048,5 |
| Gross margin | 52,5% | 59,1% | 60,5% | 53,6% | 41,2% | 31,6% | nd | 51,7% |
| PROFIT OF SEGMENT | 130,0 | 23,9 | (79,5) | (0,9) | 51,7 | 12,3 | (0,2) | 137,3 |
| Assets of segments | | | | | | | | |
| Fixed assets except deferred tax asset and granted loans | 1 099,0 | 820,4 | 1 354,4 | 109,8 | 338,7 | 55,9 | 72,7 | 3 850,9 |
| Deferred tax assets | 2,5 | — | 1,4 | 1,4 | 5,9 | 18,1 | 2,7 | 32,0 |
| Inventories | 308,9 | 204,2 | 208,3 | 30,8 | 274,1 | 828,0 | 36,4 | 1 890,7 |
| Outlays on tangible fixed assets and intangibles | 454,4 | 241,4 | 159,2 | 32,1 | 229,6 | 55,9 | 72,7 | 1 245,3 |
| Other revenue/costs: | | | | | | | | |
| Amortization and depreciation | (110,0) | (69,8) | (72,2) | (7,4) | (2,1) | (0,4) | (1,2) | (263,1) |
| Impairment loss of tangible fixed assets and intangibles | — | — | — | — | — | — | — | — |

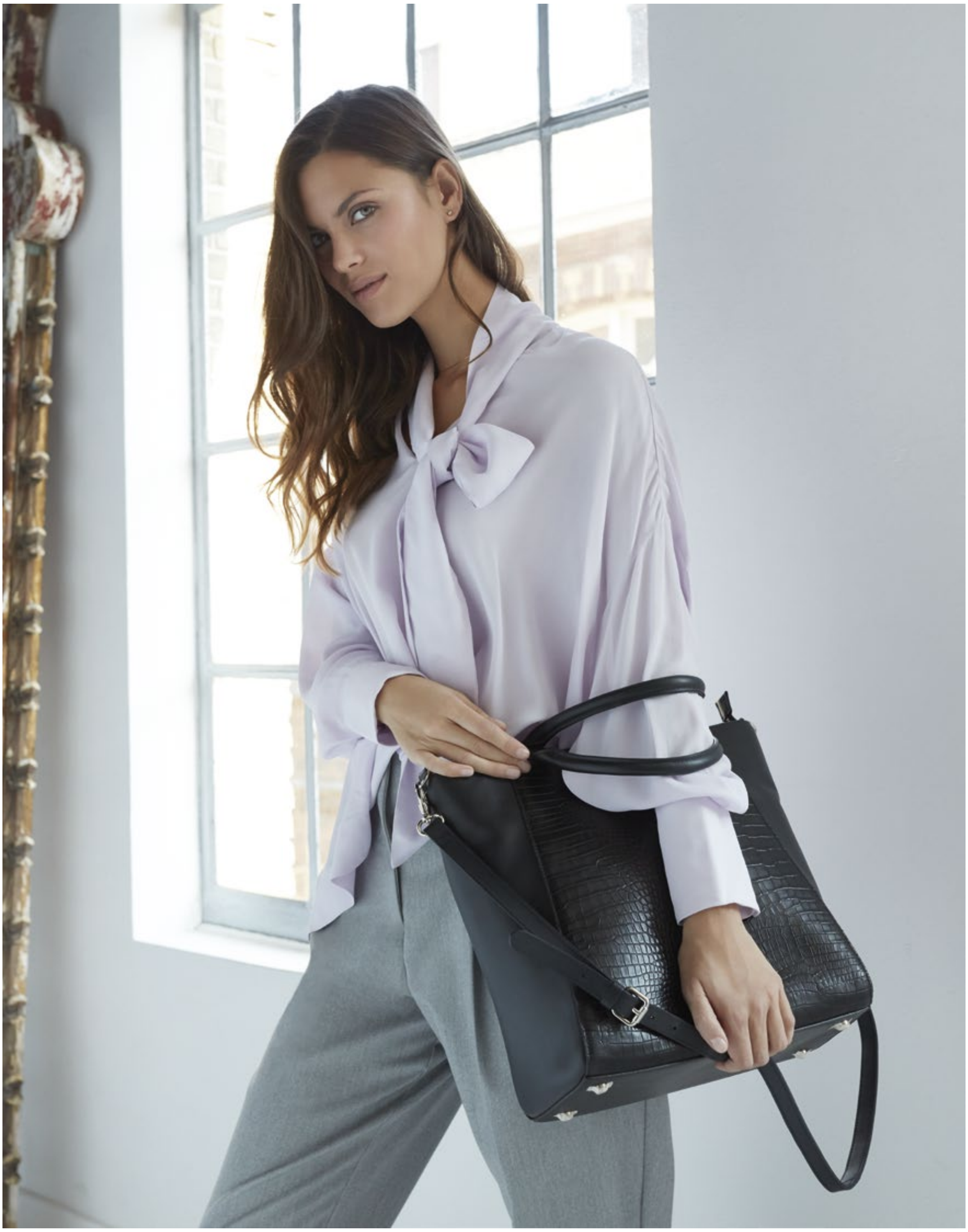
| 01.2017-06.2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total sales revenue | 922,9 | 370,9 | 180,3 | 29,2 | 259,9 | 1 211,9 | 171,6 | 3 146,7 |
| Revenue from sales to other segments | — | — | — | — | — | (1 129,3) | (171,2) | (1 300,5) |
| Revenue from sales from external customers | 922,9 | 370,9 | 180,3 | 29,2 | 259,9 | 82,6 | 0,4 | 1 846,2 |
| Gross profit on sale | 461,7 | 215,1 | 104,8 | 15,8 | 108,2 | 32,8 | — | 938,4 |
| Gross margin | 50,0% | 58,0% | 58,1% | 54,1% | 41,6% | 39,7% | nd | 50,8% |
| PROFIT OF SEGMENT | 151,9 | 35,7 | (54,1) | 1,8 | 44,8 | 25,2 | — | 205,3 |
| Assets of segments | | | | | | | | |
| Fixed assets except deferred tax asset and granted loans | 362,9 | 133,3 | 84,6 | 13,9 | 325,0 | 24,7 | 91,8 | 1 036,2 |
| Deferred tax assets | 3,5 | — | — | 1,1 | 1,2 | 6,6 | 4,7 | 17,1 |
| Inventories | 246,6 | 152,1 | 80,5 | 16,6 | 132,0 | 707,6 | 62,4 | 1 397,8 |
| Outlays on tangible fixed assets and intangibles | 362,9 | 133,3 | 84,6 | 13,9 | 218,8 | 24,7 | 91,8 | 930,0 |
| Other revenue/costs: | | | | | | | | |
| Amortization and depreciation | (13,5) | (7,5) | (6,3) | (0,9) | (1,1) | (0,4) | (1,3) | (31,0) |
| Impairment loss of tangible fixed assets and intangibles | — | — | — | — | — | — | — | — |

| 01.2018-06.2018 | 01.2018-06.2018 | | | 01.2017-06.2017 | | |
|---|---|---|---|---|---|---|
| | AGGREGATED SEGMENT DATA | CONSOLIDATION ADJUSTMENTS | CONSOLIDATED FINANCIAL STATEMENT | AGGREGATED SEGMENT DATA | CONSOLIDATION ADJUSTMENTS | CONSOLIDATED FINANCIAL STATEMENT |
| Total sales revenue | 3 195,0 | (1 168,6) | 2 026,4 | 3 146,7 | (1 300,5) | 1 846,2 |
| Sales revenue not allocated to the segment | — | — | — | — | — | — |
| Sales revenue in the financial statement | — | — | 2 026,4 | — | — | 1 846,2 |
| Cost of goods sold in the financial statement | — | — | (977,9) | — | — | (907,8) |
| Gross profit on sale | 1 048,5 | — | 1 048,5 | 938,4 | — | 938,4 |
| Gross margin | (911,2) | — | (911,3) | (733,1) | — | (733,1) |
| Performance of segment | 137,3 | — | 137,2 | 205,3 | — | 205,3 |
| Not allocated cos of sale | — | — | — | — | — | — |
| Administrative expenses | — | — | (81,8) | — | — | (44,3) |
| Other cost and operating revenue | — | — | 67,4 | — | — | 2,9 |
| Finance revenue | — | — | 16,7 | — | — | 1,5 |
| Finance cost | — | — | -64,4 | — | — | (35,6) |
| Profit before tax | — | — | 75,1 | — | — | 129,8 |
| Assets of segments | | | | | | |
| Fixed assets except deferred tax asset and granted loans | 3 850,9 | (4,9) | 3 846,0 | 1 036,2 | (3,9) | 1 032,3 |
| Deferred tax assets | 32,0 | 43,9 | 75,9 | 17,1 | 38,2 | 55,3 |
| Inventories | 1 890,7 | (45,4) | 1 845,3 | 1 397,8 | (37,9) | 1 359,9 |
| Outlays on tangible fixed assets and intangibles | 1 245,3 | (4,9) | 1 240,4 | 930,0 | (3,9) | 926,1 |
| Other revenue/costs: | | | | | | |
| Amortization and depreciation | (263,1) | (17,6) | (280,7) | (31,0) | (11,9) | (42,9) |
| Impairment loss of tangible fixed assets and intangibles | — | — | — | — | — | — |

[in PLN million unless otherwise stated]

| | SALES REVENUE | | FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX) | |
|---|---|---|---|---|
| | 01.2018-06.2018 | 01.2017-06.2017 | 01.2018-06.2018 | 01.2017-06.2017 |
| Poland | 919,2 | 923,3 | 1 222,7 | 475,5 |
| Czech Republic | 135,5 | 131,9 | 199,4 | 46,1 |
| Hungary | 105,1 | 96,5 | 197,3 | 37,3 |
| Germany | 97,0 | 110,6 | 560,0 | 54,9 |
| Slovakia | 75,9 | 77,7 | 109,9 | 20,1 |
| Austria | 63,0 | 69,8 | 393,7 | 29,7 |
| Romania | 69,7 | 50,3 | 181,3 | — |
| Switzerland | 19,9 | 0,0 | 400,7 | — |
| Croatia | 32,1 | 33,3 | 66,9 | 14,9 |
| Slovenia | 20,8 | 19,8 | 30,8 | 7,2 |
| Other | 87,9 | 73,1 | 144,6 | 21,6 |
| e-commerce | 400,3 | 259,9 | 338,7 | 325,0 |
| Total | 2 026,4 | 1 846,2 | 3 846,0 | 1 032,3 |
| Deferred tax | | | 75,9 | 55,3 |
| Financial instruments | | | — | — |
| Total assets | | | 3 921,9 | 1 087,6 |

i FOR MORE INFORMATION SEE **3.1.1.1** (REVENUE, COGS AND GROSS PROFIT) + **3.1.1.2** (FIXED ASSETS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP



# 3. NOTES TO STATEMENTS OF PROFIT OR LOSS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

## 3.1 COSTS BY NATURE

ACCOUNTING POLICY

i MORE INFORMATION IN SECTION **3.1.1.1** (COST OF OPERATING STORES) IN THE STATEMENTS OF OPERATIONS OF THE GROUP

### Cost of goods sold

As the cost of goods sold the Group recognizes:

- value of goods sold
- value of packages expended for sales
- cost of a provision concerning complaints (note 5.7)
- the value of finished goods sold
- cost of sublease services (cost of the fees under operating lease of premises that are the subject of sublease)
- impairments for inventories
- impairment losses for fixed assets and intangible assets used in manufacturing of goods or providing services (depreciation of production machines)

### Cost of operating stores

Cost of operating stores includes the cost of maintenance of stores and other retail outlets. This item includes mainly:

- cost of the fees in operating lease of premises in which stores are run
- remuneration costs of employees employed in stores
- amortisation of tangible fixed assets (investments in stores)
- cost of external services (inter alia, the costs of the agent's remuneration, costs of media consumption)

### Other cost of sales

Other cost of sales includes cost of sales not directly related to the maintenance of stores, relating to organizational units supporting the sales. This item includes mainly:

- remuneration costs of employees of organizational units supporting sales
- amortisation of tangible fixed assets
- cost of external services
- other flat costs
- impairment losses on receivables from supplies and services

### Lease costs

In accordance with IFRS 16, the Group recognizes the right to use the asset together with the relevant leasing liability determined in the amount of discounted future payments during the lease term.

Lease fees previously recognized in the costs of store operations or in other selling costs in the „lease costs" item are now presented in the costs of store operations or in other selling costs as depreciation and in finance costs as interest expenses. The valuation of the lease liability is periodically settled with the lease payments. Assets under the right of use are amortized on a straight-line basis, while liabilities under leasing contracts are settled with the effective interest rate.

As a result of applying IFRS 16, the Group makes a valuation of leasing contracts that meet the criteria of IFRS 16. Expenses related to the use of leased assets, previously included in the costs of stores or other selling costs under „lease costs" are now presented in costs of functioning of stores or in other sales costs as depreciation costs and interest costs. The Company includes the following items in current costs:

- Depreciation costs of assets due to the right to depreciation
- Interest costs
- Result of exchange differences
- The costs of completing lease agreements

### Administrative expenses

Administrative expenses include expenses related to managing the general operations of the Group(general-administrative expenses) and general expenses of the Group.

[in PLN million unless otherwise stated]

ACCOUNTING POLICY

### Other income and operating cost

Other operating income and costs include income and costs from non-core operating business activities of the units, for example, profit or loss on disposal of tangible fixed assets, penalties and fines, donations, etc.

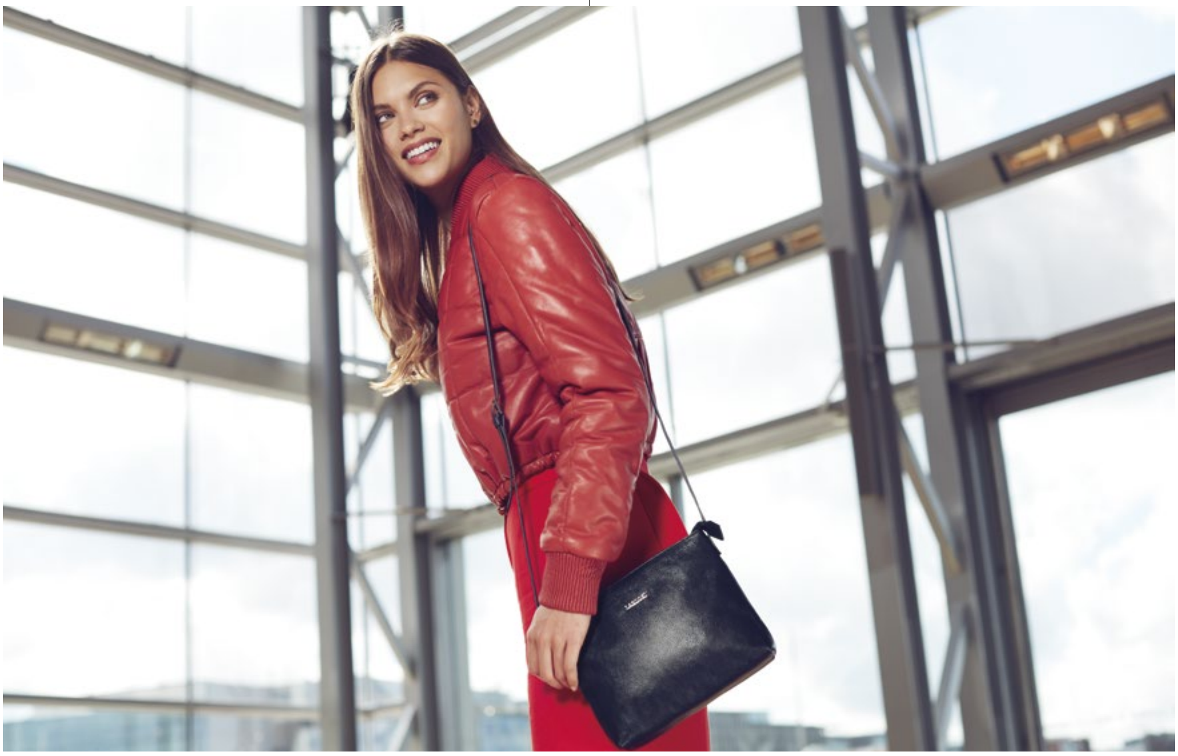
### Operating lease

Leasing, in which a significant portion of the risks and benefits under the ownership are retained by the lessor, constitutes an operating lease. Operating lease mainly concerns the lease of retail space in which the sales of retail goods is made.
Payments made under operating lease are recognized in the income statements by a linear method over the period of the lease agreement. Discounts received by the lessor are recognized in the financial statements in the same way as an integral part of the total lease payments. These costs are recognized in the statements of comprehensive income in „Costs of operating stores" or „Other costs of goods sold".

| NOTE | 01.2018-06.2018 | COST OF SALE OF GOODS | COST OF OPERATING STORES | OTHER COST OF SALE | ADMINISTRATIVE EXPENSES | TOTAL |
|---|---|---|---|---|---|---|
| | Cost of purchase of goods sold | (857,3) | — | — | — | (857,3) |
| | Consumption of materials and energy | (92,4) | (29,4) | (13,0) | (3,4) | (138,2) |
| 5.4 | Provision for inventories | (0,7) | (4,0) | — | — | (4,7) |
| | Remunerations | (24,0) | (223,5) | (69,0) | (22,0) | (338,5) |
| 6.4 | Cost of incentive program | — | — | — | (19,1) | (19,1) |
| | Agent services | — | (20,6) | — | (0,2) | (20,8) |
| | Transportation services | (0,7) | (0,7) | (59,8) | (0,1) | (61,3) |
| | Lease costs – operating costs | — | (42,5) | (12,5) | (3,1) | (58,1) |
| | Other outsourcing services | (0,6) | (35,0) | (86,0) | (21,7) | (143,3) |
| 5.1, 5.2 | Amortization | (1,2) | (263,2) | (10,5) | (5,9) | (280,8) |
| | Taxes and charges | (0,5) | (3,4) | (1,6) | (3,3) | (8,8) |
| | Other flat costs | — | (7,1) | (29,5) | (3,0) | (39,6) |
| | Change in products and production in progress | (0,5) | — | — | — | (0,5) |
| | Total | (977,9) | (629,4) | (281,9) | (81,8) | (1 971,0) |

[in PLN million unless otherwise stated]

| NOTE | 01.2017–06.2017 | COST OF SALE OF GOODS | COST OF OPERATING STORES | OTHER COST OF SALE | ADMINISTRATIVE EXPENSES | TOTAL |
|---|---|---|---|---|---|---|
| | Cost of purchase of goods sold | (759,0) | — | — | — | (759,0) |
| | Consumption of materials and energy | (125,2) | (20,2) | (10,3) | (2,1) | (157,8) |
| 5.4 | Provision for inventories | 4,0 | — | — | — | 4,0 |
| | Remunerations | (22,3) | (203,9) | (45,3) | (18,3) | (289,8) |
| 6.4 | Cost of incentive program | — | — | — | — | — |
| | Agent services | — | (23,9) | — | — | (23,9) |
| | Transportation services | (1,2) | (0,2) | (44,7) | — | (46,1) |
| | Lease costs | — | (226,5) | (3,5) | (1,7) | (231,7) |
| | Other outsourcing services | (0,5) | (22,5) | (52,0) | (11,5) | (86,5) |
| 5.1, 5.2 | Amortization | (1,3) | (27,9) | (9,1) | (4,6) | (42,9) |
| | Taxes and charges | (0,6) | (2,5) | (2,0) | (2,3) | (7,4) |
| | Other flat costs | (0,2) | (10,5) | (28,1) | (3,8) | (42,6) |
| | Change in products and production in progress | (1,5) | — | — | — | (1,5) |
| | Total | (907,8) | (538,1) | (195,0) | (44,3) | (1 685,2) |



[in PLN million unless otherwise stated]

## 3.2 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

| NOTE | | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|---|
| | **Total other costs** | | |
| | Loss on disposal of tangible fixed assets | — | (1,3) |
| | Stocktaking net losses | (1,8) | (0,6) |
| | Other net operating cost | — | (0,8) |
| | Loss on exchange rate differences on items other than debt | (23,2) | (6,5) |
| | Total other operating costs | (25,0) | (9,2) |
| | **Total other income** | | |
| | Profit on disposal of tangible fixed assets | 3,4 | — |
| | Compensations | 0,7 | 0,8 |
| | Subsidy of SFRDP remuneration | 1,8 | 1,5 |
| | Profit on bargain acquisition of Karl Vogele AG | 80,4 | |
| | Other net operating income | 6,2 | 9,8 |
| | Total other operating income | 92,4 | 12,1 |
| | **Total other operating costs and income** | 67,4 | 2,9 |

| NOTE | | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|---|
| | **Total finance cost** | UNAUDITED | |
| 4.2 | Interest on borrowings (recognised in costs) | (27,1) | (13,2) |
| | Result on exchange rates | (19,8) | (16,7) |
| | Commissions paid | (3,1) | (0,8) |
| | Valuation of non-controlling interests | (12,6) | — |
| | Other finance cost | (1,8) | (4,9) |
| | Total finance cost | (64,4) | (35,6) |
| | **Total finance revenue** | | |
| | Interest from current account and other | 1,2 | 0,8 |
| | Valuation of derivative instruments | 15,0 | — |
| | Other finance revenue | 0,5 | 0,7 |
| | Total finance revenue | 16,7 | 1,5 |

[in PLN million unless otherwise stated]

## 3.3 TAXATION

ACCOUNTING POLICY

The obligatory burdens of result include current tax (CIT) and deferred tax.

Current tax is calculated on the basis of the tax result in a given reporting period in countries where the Company and its subsidiaries operate and generate taxable income based on the rates in force in the country. Changes in estimates relating to previous years are recognized as an adjustment to the burden for the current year.

Deferred tax assets and liabilities are recognized in the result of the creation of differences between the book value of assets and liabilities and their corresponding tax values and from unaccounted tax losses. Such differences arise in the Company in a situation of different accounting of depreciation for accounting and tax purposes, the recognition of accounting impairment of assets (which for tax purposes will be realized in the form of tax write-offs in future periods) or created for the purpose of accounting provisions (which for tax purposes will be recognized at the moment of incurring respective costs). The differences (not related to acquisitions transactions) related to the initial recognition of a part of an asset or liabilities that does not affect the moment of recognition of a given asset neither the outcome nor the accounting profit (loss) tax are excluded from recognition.

Temporary differences also arise in transactions of acquisitions and internal reorganization within the group. In the case of acquisitions of external entities, temporary differences arise as a result of the valuation of assets and liabilities to their fair values without affecting the tax bases of assets and liabilities – liability or deferred tax asset arising from these differences adjusts the goodwill (profit on occasional acquisition). In case of an intra-group reorganizations, the assets and deferred tax liabilities arise as a result of recognition or changes in the value of parts of assets or liabilities for tax purposes (e.g. a trademark) without their concurrent recognition in the balance sheet due to the elimination of result on intra-group transactions – the effects of recognition of the related assets and deferred taxes liabilities are recognized in the result of the period unless the related transactions have an impact on other comprehensive income or equity.

Positive temporary differences relating to goodwill are excluded from being recognized, however, if the tax value of goodwill arising on the transaction is higher than its book value, the deferred tax asset is recognized on the initial recognition of goodwill if it is probable that the income tax will be generated which will allow for the implementation of the negative temporary difference.

Deferred tax assets and liabilities are calculated using the current (or practically applicable) tax rates. Deferred tax assets and liabilities are subject to offsetting within the Company, when it has the right to settle current tax in a net amount.

Deferred tax assets are recognized to the amount that it is probable to generate taxable income, which will allow the realization of negative temporary differences and tax losses, or when it is expected to simultaneously realize positive temporary differences. Amounts above this are exclusively subject to disclosure.

### A. AMOUNTS OF INCOME TAX RECOGNIZED IN THE INCOME STATEMENTS AND STATEMENTS OF CASH FLOWS

| NOTE | | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|---|
| | Current tax | (19,5) | (12,7) |
| 3.3 | Deferred tax | 10,2 | (4,0) |
| 3.3 | Income tax recognized in income statement | (9,3) | (16,7) |
| | Current tax recognized in the result | 19,5 | 12,7 |
| | Balance of liabilities /(receivables) at beginning of period | 0,8 | 4,7 |
| | Balance of receivables / (liabilities) at the end of the period | (6,2) | 20,5 |
| | Other changes | (0,1) | — |
| | Tax paid recognized in statement of cash flows | 14,0 | 37,9 |

[in PLN million unless otherwise stated]

## B. INFORMATION ON APPLIED TAX RATES AND RECONCILIATION FOR CHARGING THE RESULT

The table below shows the countries in which the Group achieves the highest income tax with an indication of the tax rate corresponding to the relevant jurisdiction:

| | 2018 | 2017 |
|---|---|---|
| Poland | 19% | 19% |
| Czech Republic | 19% | 19% |
| Hungary | 10% | 10% |
| Slovakia | 22% | 22% |
| Other countries | 8,47% – 25% | 8,47% – 25% |
| Weighted average income tax rate | 18,90% | 15,47% |

Income tax on profit before tax of the Group differs from the theoretical amount that would have been obtained using the weighted average tax rate applicable to consolidated profits of the companies:

| | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|
| Profit before tax | 75,1 | 129,8 |
| Weighted average tax rate | 18,90% | 15,47% |
| Tax calculated according to weighted average tax rate | (14,2) | (20,1) |
| Tax effects of the following items: | | |
| • income not allowable for tax income | 0,2 | 1,3 |
| • non-tax-deductible expenses | (6,0) | (1,6) |
| • profit on bargain acquisition of Karl Voegele AG | 15,2 | — |
| • tax losses in respect of which deferred tax assets were not recognized | (4,4) | — |
| • other adjustments | (0,1) | — |
| Charging financial result on income tax | (9,3) | (16,7) |

Income not allowable for tax income mainly include profit on bargain aquisition og Karl Voegele AG.

Tax non-deductible costs mainly include the provisions for costs of future periods.

Other adjustments include primarily the recognized tax loss asset of CCC.eu in the amount of PLN 13.2 million.

[in PLN million unless otherwise stated]

## C. BALANCE AND CHANGES OF DEFERRED TAX

Changes in assets and liabilities due to deferred income tax during the year is presented as follows:

| NOTE | | 30.06.2018 | CREDITING TO / (CHARGING) FINANCIAL RESULT | 31.12.2017 | CREDITING TO / (CHARGING) FINANCIAL RESULT | 01.01.2017 |
|---|---|---|---|---|---|---|
| | **Assets** | | | | | |
| 5.1 | Goodwill | — | — | — | — | — |
| 5.1 | Trademarks | 25,7 | (2,0) | 27,7 | (4,1) | 31,7 |
| | Inventories – adjustment of margin on intragroup sale | 8,6 | 1,6 | 7,0 | 2,3 | 4,7 |
| | Impairment of assets | 2,1 | (0,4) | 2,5 | 1,7 | 0,8 |
| | Provisions for liabilities | 13,4 | 5,8 | 7,6 | 2,3 | 5,3 |
| | Exemption from special economic zone | 2,6 | 2,6 | | | |
| | Others | 8,6 | 0,3 | 8,3 | (6,9) | 15,2 |
| | Tax losses | 13,3 | (2,5) | 15,8 | 11,3 | 4,5 |
| | The difference between the tax and balance value of the right to use and the leasing liability | 7,5 | 7,5 | — | — | — |
| | **Total before offsetting** | 81,7 | 12,8 | 68,9 | 6,7 | 62,2 |
| | **Liabilities** | | | | | |
| | Accelerated tax depreciation of tangible fixed assets | 10,2 | 5,7 | 4,5 | 2,7 | 1,8 |
| | Others | 6,4 | 3,7 | 2,7 | 0,8 | 1,9 |
| | The temporary difference between the tax value and balance sheet value of the trademark and customer relationships disclosed in the acquisition of eobuwie.pl SA | 29,8 | (1,9) | 31,7 | (1,0) | 32,7 |
| | **Total before offsetting** | 46,5 | 7,5 | 38,9 | 2,6 | 36,3 |
| | Offsetting | 5,8 | 0,1 | 5,7 | 3,4 | 2,2 |
| | **Balance of deferred tax in the balance sheet:** | | | | | |
| | Assets | 75,9 | 12,5 | 63,3 | 3,2 | 60,1 |
| | Liabilities | 40,7 | 7,5 | 33,2 | (0,9) | 34,1 |

[in PLN million unless otherwise stated]

## D. SIGNIFICANT ESTIMATES OF THE RECOGNITION OF DEFERRED TAX ASSETS AND INFORMATION ABOUT UNRECOGNIZED DEFERRED TAX ASSETS

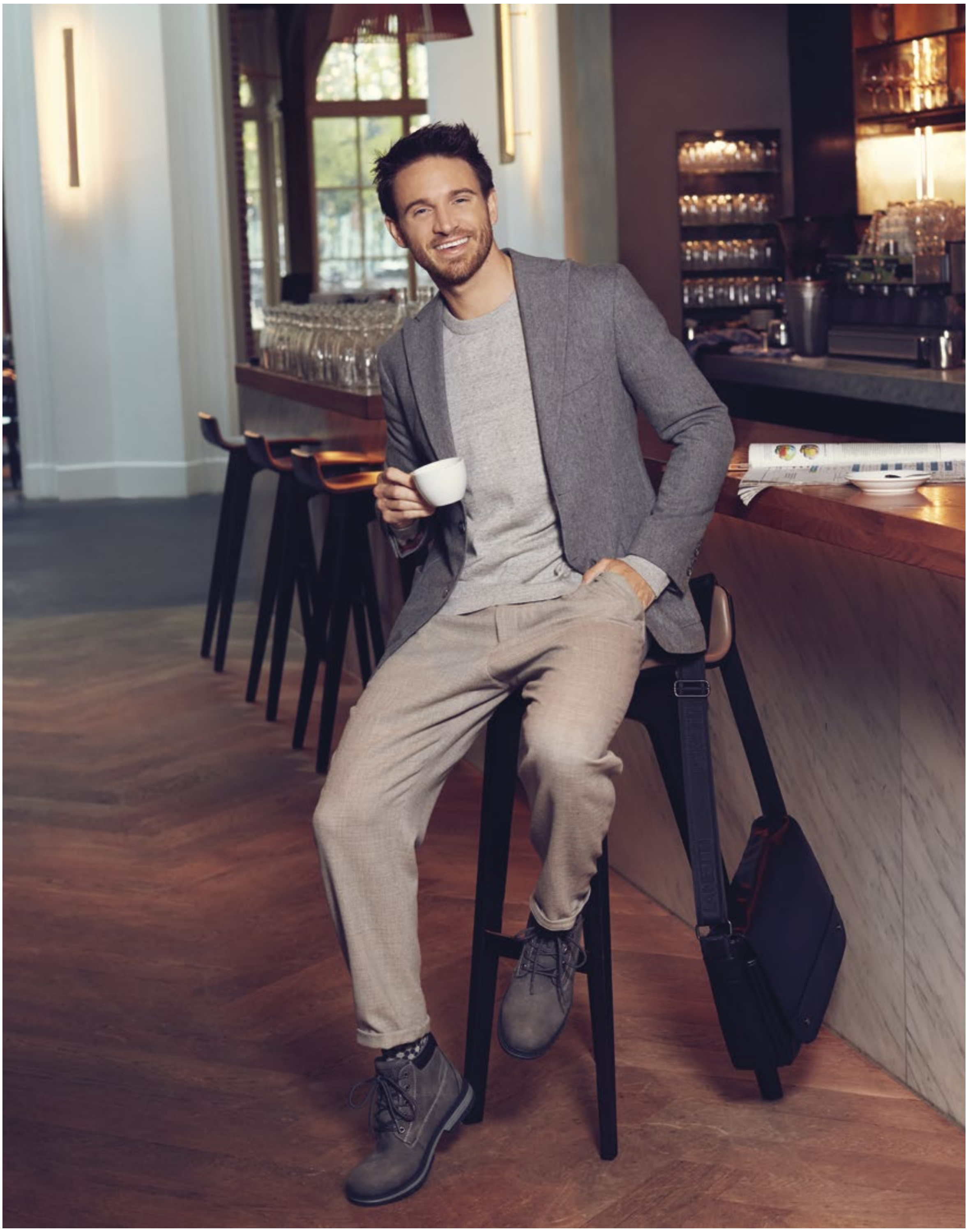
The realization and reversal of temporary differences requires from the Management Board significant estimates with respect to the expected results subject to taxation in individual entities of the Group. Recognition of deferred tax assets in excess of recognized deferred tax liabilities means that it is probable that the Group will be able to realize the economic benefits arising from the settlement of trademark depreciation. The table below presents the periods in which the realization of recognized deferred tax assets and liabilities is estimated:

| NOTE | PERIOD OF REALIZATION OF ASSETS AND LIABILITIES DUE TO DEFERRED TAX | 30.06.2018 | | 31.12.2017 | |
|---|---|---|---|---|---|
| | | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| | up to 1 year | 32,6 | 2,8 | 36,8 | 0,1 |
| | 1-2 years | 20,3 | 2,0 | 4,1 | 0,4 |
| | 2-3 years | 6,3 | 2,4 | 4,9 | 0,2 |
| | 3-5 years | 8,4 | 6,3 | 8,1 | 0,8 |
| | Over 5 years | 8,3 | 27,2 | 9,5 | 31,7 |
| | Total | 75,9 | 40,7 | 63,4 | 33,2 |
| | Unrecognized | — | — | — | — |
| | • Relating to goodwill | — | — | — | — |
| | • Relating to tax losses | 4,4 | — | — | — |

The balance of unrecognized assets due to tax losses consists of tax losses of companies operating in Poland.

## ADJUSTMENTS OF ERRORS OF PREVIOUS YEARS

In the reporting period, no adjustment of previous years was made.



# 4. DEBT, CAPITAL AND LIQUIDITY MANAGEMENT

## 4.1 CAPITAL MANAGEMENT

The Group's objective in capital management is to secure Group's ability to continue its operations so that it can generate return for shareholders and benefits for other interested parties and maintain an optimal capital structure in order to reduce its cost.

In accordance with the Group's policy, the dividend is possible in the amount not less than 33% and not higher than 66% of the profit for the period.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends declared to be paid to shareholders, return capital to shareholders, issue new shares or sell assets in order to reduce debt.

Like other companies in the industry, the Group monitors the capital by using the debt ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as total of borrowings (including current and non-current loans and issued bonds indicated in the separate statements of financial position) less cash and cash equivalents. Total value of capital is calculated as equity presented in the separate statements of financial position with net debt.

### 4.1.1 EQUITY

ACCOUNTING POLICY

Equity is recognized in the accounting books by type and in accordance with legal regulations and the provisions of the Articles of Association.

The types of equity:
- basic capital (share) of the Parent Company is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserve created from the surplus value from the sales of shares above their nominal value less the issuance costs,
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements and also based on launched stock option scheme for employees

Dividend payments to shareholders of the Parent Company are recognized as a liability in the Company's financial statements in the period in which they are approved by shareholders of the Parent Company.

## SHARE CAPITAL

As at 30 June 2018, the company's equity capital consisted of 41,16 million shares (as at 31 December 2017 it consisted of 41,16 million shares) with a nominal value of PLN 0.1 each, including 34,51 million ordinary shares and 6,65 million voting preference shares.

After the balance sheet date June 30, 2018, but before the date of publication, 4.000 ordinary bearer shares were issued with a nominal value of PLN 0,10 each. The issue price of shares is PLN 61.35. The surplus of the issue price over the nominal price of the shares has been allocated to supplementary capital. The Management Board of the Company filed an application to the court to change the amount of the share capital in connection with the issue.

The issue was registered by the court on July 24, 2018. The value of the share capital as at June 30, 2018 amounted to PLN 4,1 million.

All issued shares have been fully paid up.

Shareholders have a pre-emptive right to acquire registered preference shares held for sale.

The entity which has a significant effect on the Company is a company ULTRO Sp. z o.o., based in Polkowice, which holds 26,87% of the share capital and 34,55% of the total number of votes. This entity is dependent on Dariusz Miłek, The President of the Management Board of CCC S.A. Other information on Shareholders is included in Statements of operations of the Company.

## RESERVE CAPITAL FROM THE SALES OF SHARES ABOVE THEIR NOMINAL VALUE

Reserve capital mainly includes capital from share issue and settlement of employee benefit scheme based on shares settled in capital instruments.

The value of reserve capital as at 30 June 2018 amounted to PLN 644.9 million.

## OTHER CAPITAL

Other capital mainly include capital from the settlement of employee benefit plans based on shares settled in capital instruments (further information is presented in the note 6.3)

## RETAINED EARNINGS

Retained earnings include: retained earnings from previous years and profit of the fiscal year.

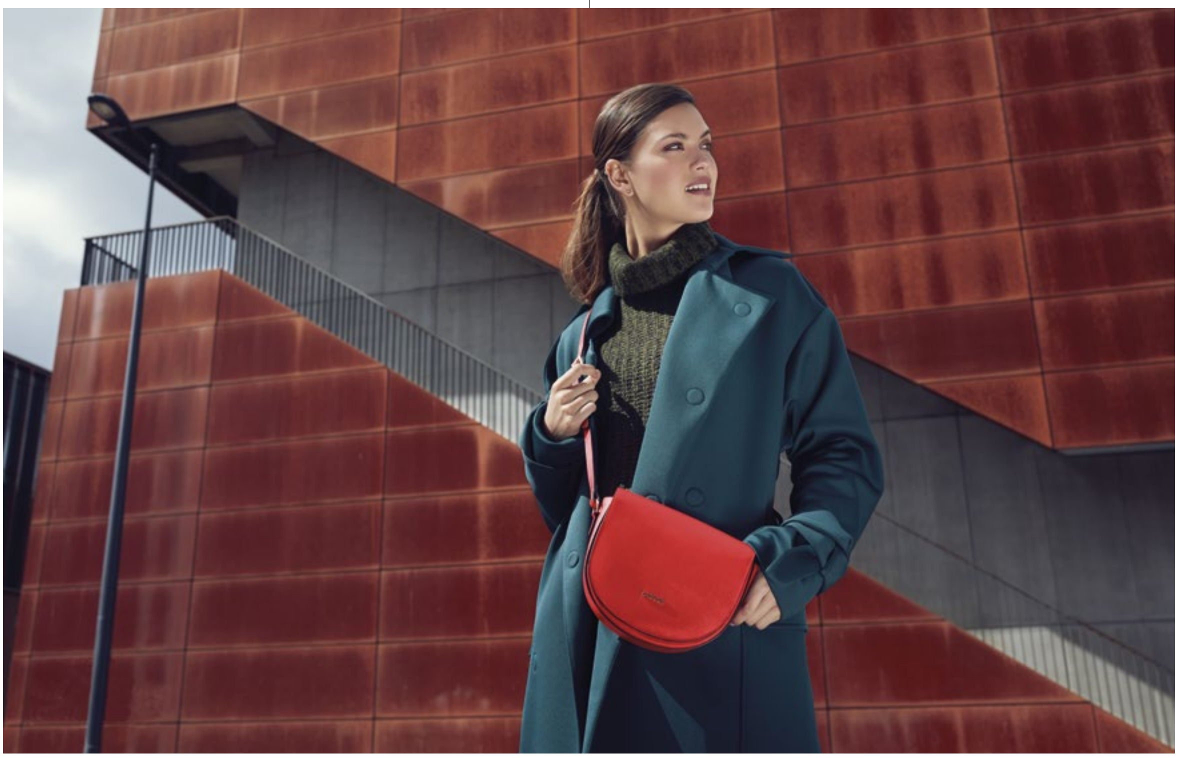
## EARNINGS PER SHARE

In the financial year, the basic and diluted earnings per share amounted to PLN 1.60 a (PLN 2.88 in 2017, respectively).

## DIVIDEND PAID

On June 22, 2018, the General Meeting of Shareholders of CCC S.A. adopted a resolution regarding the payment of dividend from the net profit for 2017 in the amount of PLN 94.7 million, which corresponds to PLN 2.30 per share (in 2017 it was PLN 101.4 million, corresponding to PLN 2.59 per share) . The dividend record date (day D) was set for September 19, 2018. The dividend payment date (day W) was set for October 1, 2018.

In 2017, the dividend for 2016 was paid in the amount of PLN 101.4 million.



[in PLN million unless otherwise stated]

## 4.2 DEBT

ACCOUNTING POLICY

Debt liabilities cover mainly bank loans and issued bonds. Debt liabilities are recognized initially at fair value less transaction costs associated with obtaining financing.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate. Financial costs are recognized in the financial result in financial costs except for costs that relate to the financing of production of fixed assets (according to the policy in note 5.2).

| NOTE | | DEBT LIABILITIES | | | BONDS PAYABLE | TOTAL |
|---|---|---|---|---|---|---|
| | | NON-CURRENT | CURRENT | IN CURRENT ACCOUNT | | |
| 4.2 | As of 01.01.2017 | 156,0 | 42,9 | 386,6 | 210,0 | 795,5 |
| | Proceeds from debt contracted | | | | | |
| | – financing received | 70,0 | — | 0,7 | — | 70,7 |
| | – transactional cost | — | — | — | — | — |
| | Charging interest | 5,5 | 2,5 | 16,2 | 6,9 | 31,1 |
| | Repayment of debt | | | | | |
| | – repayment of capital | — | — | — | — | — |
| | – interest paid | (5,5) | (2,5) | (16,2) | (6,9) | (31,1) |
| | Change in current account | — | (42,9) | 93,8 | — | 50,9 |
| | Change of presentation from short to long-term | — | — | — | — | — |
| | Other non-cash changes | — | — | — | — | — |
| 4.2 | As of 31.12.2017 | 226,0 | — | 481,1 | 210,0 | 917,1 |
| | Proceeds from debt contracted | | | | | |
| | – financing received | — | — | — | 210,0 | 210,0 |
| | – transactional cost | 2,9 | — | 6,4 | 5,2 | 14,5 |
| | Charging interest and commissions | | | | | |
| | Repayment of debt | — | — | — | (203,2) | (203,2) |
| | – repayment of capital | (2,9) | — | (6,4) | (5,3) | (14,6) |
| | interest and commissions paid | — | — | 310,0 | — | 310,0 |
| | Change in current account | | | 22,6 | | 22,6 |
| | Debt in current account Karl Voegele AG | (226,0) | 226,0 | — | — | — |
| | Change of presentation from long to short-term | — | — | — | — | — |
| 4.2 | Other non-cash changes | — | 226,0 | 813,7 | 216,7 | 1 256,4 |
| | As of 30.06.2018 | | | | | |

Financing mainly takes place in Poland and was taken in PLN. Interest on total financing (loans and bonds) is based on variable interest rates (WIBOR rate plus the margin of the bank).

The existing debt involves interest rate risk and currency risk. Description of exposure to financial risks is included in note 6.1.

[in PLN million unless otherwise stated]

Repayment of these liabilities are covered by the following collateral:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| | AMOUNT/OR BOOK VALUE OF GUARANTEE | |
| Sureties granted | 232,3 | 96,7 |
| Capped mortgages on property | 527,1 | 527,1 |
| Registered pledge on movable assets | 1 650,0 | 1 650,0 |
| In blanco bills of exchange | 34,0 | 27,0 |
| Assignments of insurance policies | 8,8 | 3,0 |
| Statement on submission to enforcement | | |

## 4.3 CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

Cautious liquidity management implies maintaining sufficient cash and cash equivalents and the availability of further funding through guaranteed sources from credit lines.

The following table provides information on the contractual undiscounted payments under the existing debt.

i MORE INFORMATION IN SECTION **3.3.1** (BORROWINGS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP

Financial guarantees granted within the Capital Group CCC is presented in note 3.3. Transactions with related entities.

| NOTE | AS OF 30.06.2018 | CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD | | | | | TOTAL UNDISCOUNTED | BOOK VALUE |
|---|---|---|---|---|---|---|---|---|
| | | UP TO 3 MONTHS | 3-12 MONTHS | 1-3 YEARS | 3-5 YEARS | OVER 5 YEARS | | |
| 4.2 | Borrowings | 716,2 | 330,1 | — | — | — | 1 046,4 | 1 046,4 |
| 4.2 | Bonds | — | 13,4 | 223,2 | — | — | 236,6 | 209,8 |
| 5.7 | Trade liabilities | 763,8 | — | — | — | — | 763,8 | 763,8 |
| | Obligation to repurchase minority interests | — | — | — | 956,8 | — | 956,8 | 844,4 |
| | Lease liabilities | 142,9 | 405,4 | 746,4 | 715,3 | 656,1 | 2 666,1 | 2 490,9 |
| | Financial liabilities | 1 622,9 | 748,9 | 969,6 | 1 672,1 | 656,1 | 5 669,7 | 5 355,5 |

| NOTE | AS OF 31.12.2017 | CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD | | | | | TOTAL UNDISCOUNTED | BOOK VALUE |
|---|---|---|---|---|---|---|---|---|
| | | UP TO 3 MONTHS | 3-12 MONTHS | 1-3 YEARS | 3-5 YEARS | OVER 5 YEARS | | |
| 4.2 | Borrowings | 480,7 | 0,4 | 234,7 | — | — | 715,8 | 707,1 |
| 4.2 | Bonds | — | 6,8 | 212,8 | — | — | 219,6 | 210,0 |
| 5.7 | Trade liabilities | 235,8 | — | — | — | — | 235,8 | 235,8 |
| | Obligation to repurchase minority interests | — | — | — | — | — | — | — |
| | Lease liabilities | — | — | — | 900,4 | — | 900,4 | 777,9 |
| | Financial liabilities | 716,5 | 7,2 | 438,8 | 900,4 | — | 2 062,9 | 1 930,8 |

[in PLN million unless otherwise stated]

## 4.4 ADDITIONAL INFORMATION TO SELECTED ITEMS OF THE STATEMENTS OF CASH FLOWS

| NOTE | | RECEIVABLES | LIABILITIES |
|---|---|---|---|
| | As of 31.12.2017 | 251,1 | 402,4 |
| | As of 30.06.2018 | 438,5 | 1 064 |
| | Change in the statement of financial position | (187,4) | 661,6 |
| | Difference arising from: | | |
| | Change in investment liabilities | — | (13,1) |
| | Receivables taken over as part of the acquisition of subsidiaries | 40,6 | |
| | Liabilities taken over as part of the acquisition of subsidiaries | | (84,3) |
| | Declared dividend | — | (94,7) |
| | As of 31.12.2016 | (146,8) | 469,5 |
| | As of 30.06.2017 | 198,6 | 312,1 |
| | Change in the statement of financial position | 273,7 | 546,1 |
| | Difference arising from: | (75,1) | 234,0 |
| | Loans granted | | |
| 5.5 | Change in investment liabilities | — | — |
| | Declared dividend | — | (21,8) |
| | Receivables taken over as part of the acquisition of subsidiaries | — | (101,4) |
| | Other | | 5,0 |
| | Change recognized in the statement of cash flows | (75,1) | 115,8 |

| | 01.2018—06.2018 | 01.2017—06.2017 |
|---|---|---|
| Other profit adjustments before taxation: | | |
| Exchange rates | 36,0 | (1,2) |
| Change in provisions | — | 1,6 |
| Valuation of employee option scheme | 19,0 | — |
| Valuation of financial instruments | (15,0) | |
| Other | (0,9) | 3,9 |
| Obligation to purchase call option on eobuwie.pl SA | 12,6 | — |
| Profit on bargain acquisition of Karl Voegele AG | (80,3) | — |
| | (28,6) | 4,3 |

| | 01.2018-06.2018 | 01.2017-06.2017 |
|---|---|---|
| Amortization and depreciation resulting from changes in fixed assets | | |
| Amortization and depreciation disclosed in note of costs by nature | 280,8 | 42,9 |
| Change due to re-invoicing of costs | — | — |
| Other | (1,4) | (3,0) |
| | 279,4 | 39,9 |

[in PLN million unless otherwise stated]

# 5. NOTES TO THE STATEMENTS OF FINANCIAL POSITION

## 5.1 INTANGIBLE ASSETS AND GOODWILL

ACCOUNTING POLICY

The Group measures intangible assets in the value of incurred cost less depreciation write-offs and impairment losses.

Depreciation is calculated with linear method by estimating the utility period of a particular asset, which for selected groups refers to:
• patents and licenses – from 5 to 10 years
• trademarks – from 5 to 10 years

In case when there were events or changes in circumstances indicating that the book value of intangible assets may not be recoverable, they undergo verification for impairment in accordance with the policy described in note 5.2.

Intangible assets with indefinite usage period and those that are not used are tested annually for impairment, in reference to individual assets or at the level of the cash-generating unit.

| | TRADEMARKS, PATENTS AND LICENCES | INTANGIBLE ASSETS IN PROGRESS | TOTAL |
|---|---|---|---|
| Gross value 01.01.2017 | 186,2 | 7,8 | 194,0 |
| Aggregated amortization | (12,8) | — | (12,8) |
| Net value 01.01.2017 | 173,4 | 7,8 | 181,2 |
| Exchange rate differences from the translations | (0,2) | — | (0,2) |
| Amortization | (8,2) | — | (8,2) |
| Purchase | 1,3 | 23,2 | 24,5 |
| Producing on its own | — | — | — |
| Liquidation and sale | — | — | — |
| Transfer between groups | 2,1 | (2,1) | — |
| Gross value 31.12.2017 (01.01.2018) | 189,6 | 28,9 | 218,5 |
| Aggregated amortization | (21,0) | — | (21,0) |
| Net value 31.12.2017 (01.01.2018) | 168,6 | 28,9 | 197,5 |
| Exchange rate differences from the translations | — | — | — |
| Amortization | (4,5) | — | (4,5) |
| Purchase | 6,9 | 13,9 | 20,8 |
| Producing on its own | — | — | — |
| Liquidation and sale | — | — | — |
| Transfer between groups | 0,2 | (0,2) | — |
| Gross value 30.06.2018 | 196,5 | 42,6 | 239,1 |
| Aggregated amortization | (25,4) | — | (25,4) |
| Net value 30.06.2018 | 171,1 | 42,6 | 213,7 |

i MORE INFORMATION IN NOTE 6.2.

[in PLN million unless otherwise stated]

## 5.2 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets include mainly: investments in foreign fixed assets (i.e. outlays in rented premises used for selling retail goods) and land and buildings, machinery and equipment.
Fixed assets are recognized at purchase price or production cost less depreciation write-offs and recognized impairment losses. Lands and fixed assets in progress are not depreciated.
Subsequent outlays are included in the book value of the fixed asset or recognized as a separate fixed asset (where appropriate) only when it is probable that this item will generate economic benefits for the Group, whereas the cost of the item can be measured reliably. Book value of the mentioned item is removed from the balance sheet. All other outlays on repairs and maintenance are recognized in financial result during the financial period in which they are incurred.
Borrowing costs are subject to capitalization and are recognized as an increase in the value of the fixed asset. Depreciation is calculated with linear method by estimating the utility period of a particular asset, which for selected groups refers to:

| GROUP OF FIXED ASSETS | DEPRECIATION PERIOD | OTHER UTILITY PERIOD |
|---|---|---|
| Investment in stores | Depreciation period is determined by two factors and accept lesser of values:<br>– utility period of outlays (typically 10 years)<br>– duration of the lease store in which the fixed asset is placed (usually 10 years) | |
| Factory and distribution | – buildings<br>– machines and equipment<br>– means of transport<br>– other tangible fixed assets | – from 10 to 40 years<br>– from 3 to 15 years<br>– from 5 to 10 years<br>– from 5 to 10 years |
| Other | – machines and equipment<br>– means of transport<br>– other tangible fixed assets | – from 3 to 15 years<br>– from 5 to 10 years<br>– from 5 to 10 years |

Depreciation method and its period are reviewed at each balance sheet date.
Principles of testing for impairment and accounting write-downs due to impairment of tangible fixed assets is disclosed in Note 5.2

### Impairment on non-financial fixed assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate the possibility of not realizing their book value. An impairment loss is recognized for the amount by which the book value of a particular part of assets exceeds its recoverable amount. The recoverable amount constitutes the higher of two amounts: fair value of assets less costs of sales or value in use. For the purposes of assessing impairment, assets are grouped at the lowest level in regard to which there are separately identifiable cash flows (cash generating units). Non-financial assets in regard to which impairment had been identified previously are assessed at each balance sheet date for the occurrence of reasons for possible reversal of the made impairment.

In retail sales each of the stores is a separate cash generating unit. In accordance with the above principles, in respect of investments in stores at each balance sheet date, the Group makes analysis for impairment loss. Operating profit realized by each of the retail units is assessed.

In order to estimate the impairment loss of non-financial assets, the Group takes into account the following reasons:
1. Store operates at least 24 months.
2. Store suffers a loss at the gross level in each of the last two years of operation.
3. Analysis of the current value of future cash flows indicates the lack of coverage of investment outlays.
In the event that the assets are recognized as irrecoverable, the Group performs an impairment loss in the amount of surplus of investment outlays over the recoverable amount. Write-down is recognized in cost of goods sold.

For companies in the Group that are starting or operate in developed economies, additional considerations for winning the market are analysed. For these entities, the adaptation period and expected profitability can be extended to 5 years.

ACCOUNTING POLICY

**Grants received**

Grants for the purchase or production of tangible fixed assets the Group recognizes in the books of the Group at the moment of inflow or prima facie evidence of its inflow in the future (e.g. receiving a promissory note, incentive on operating lease) if there is reasonable assurance that the Group will meet the conditions necessary to receive a grant. Grants are recognized as deferred income (item „grants received"). Included in deferred income the amounts of grants gradually adjust the depreciation in cost of sales of goods, in parallel to depreciation write-offs or tangible fixed assets impairment financed from these sources.

Some of the assets relating to the specific points of sales can be permanently connected to the rented premise (outlays in stores), which causes the lack of an alternative way of using them or reselling. Their utility period, as well as the amortization period is related to the estimation of the lease of the premises. Approved utility periods are described above.

Accordingly, the level of costs of depreciation depends on the estimated rental period of the point of sales. Changes of this period can affect the level of impairment loss.

In the event that the rental period has been increased/decreased by one year, the level of depreciation expense would be decreased/increased by PLN 7.6 million.

Fixed assets in progress mainly include investment outlays incurred in the stores.

Information on fixed assets creating a pledge for the debt incurred is presented in note 4.2.

The Company CCC S.A. on 23 December 2009 concluded the agreement with the Polish Agency for Enterprise Development for financing investments in fixed assets. The Company applied for a grant from the Innovative Economy Operational Programme in connection with the investment of building high-storage warehouse located in Polkowice. The final amount of the grant was fixed in the amount of PLN 38.5 million.

The grant was, in accordance with the accounting policy of the Group, classified as deferred income in the statements of financial position.

[in PLN million unless otherwise stated]

| | | FACTORY AND DISTRIBUTION | | | | OTHER TANGIBLE FIXED ASSETS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | INVESTMENT IN STORES | LAND, BUILDINGS AND CONSTRUCTIONS | MACHINES AND EQUIPMENT | TANGIBLE FIXED ASSETS IN PROGRESS | TOTAL | LAND AND BUILDINGS | MACHINES AND EQUIPMENT | OTHER | TOTAL | TOTAL |
| Gross value 01.01.2017 | 510,2 | 207,8 | 125,3 | 2,5 | 335,6 | 20,1 | 52,8 | 49,5 | 122,5 | 968,3 |
| Aggregated depreciation | (151,5) | (25,8) | (57,9) | — | (83,7) | (2,4) | (31,0) | (19,9) | (53,3) | (288,7) |
| Impairment loss | (1,3) | — | — | — | — | — | — | — | — | (1,3) |
| Net value 01.01.2017 | 358,6 | 181,9 | 67,4 | 2,5 | 251,9 | 17,7 | 21,8 | 29,6 | 69,1 | 679,6 |
| Exchange rate differences from the translations | (10,3) | — | — | 6,8 | 6,8 | — | (0,7) | (7,5) | (8,2) | (11,7) |
| Purchase | 120,5 | 7,9 | 19,2 | 62,8 | 89,9 | 9,0 | 11,2 | 4,5 | 24,7 | 235,2 |
| Produced on its own | — | — | — | — | — | — | — | — | — | — |
| Depreciation | (56,1) | (5,9) | (13,5) | (0,9) | (20,3) | (0,4) | (8,1) | (4,0) | (12,5) | (88,9) |
| Liquidation and sale | (28,0) | — | (5,8) | — | (5,8) | (1,8) | (2,5) | (2,1) | (6,3) | (40,1) |
| Decrease | 8,1 | — | 1,3 | — | 1,3 | 0,8 | 1,1 | 1,9 | 3,7 | 13,1 |
| Transfers | 0,2 | 35,4 | — | (35,4) | (0,1) | (0,3) | — | — | (0,3) | (0,3) |
| Impairment loss | — | — | — | — | — | — | — | — | — | — |
| Gross value 31.12.2017 | 590,7 | 251,1 | 132,4 | 37,4 | 420,9 | 27,0 | 60,0 | 43,5 | 130,5 | 1 142,2 |
| Aggregated depreciation | (197,7) | (31,7) | (63,8) | (1,6) | (97,1) | (2,1) | (37,2) | (21,1) | (60,4) | (355,2) |
| Impairment loss | — | — | — | — | — | — | — | — | — | — |
| Net value 31.12.2017 | 393,0 | 219,5 | 68,6 | 35,8 | 323,8 | 24,9 | 22,8 | 22,4 | 70,2 | 787,0 |
| Exchange rate differences from the translations | 10,1 | (0,1) | 2,4 | (0,1) | 2,3 | 13,6 | 0,4 | 2,8 | 16,8 | 29,2 |
| Purchase * | 247,8 | 0,4 | 14,4 | 39,6 | 54,5 | 17,9 | 1,7 | 0,8 | 20,4 | 322,7 |
| Produced on its own | — | — | — | — | — | — | — | — | — | — |
| Depreciation | (34,3) | (3,1) | (8,2) | — | (11,3) | (0,9) | (4,3) | (1,5) | (6,7) | (52,3) |
| Liquidation and sale | (12,1) | (23,3) | (1,1) | (0,1) | (24,5) | (13,8) | (2,8) | (23,9) | (40,6) | (77,1) |
| Decrease | 2,8 | 5,9 | — | 0,1 | 6,0 | — | 0,1 | 8,8 | 8,9 | 17,7 |
| Transfers | 0,4 | (3,7) | — | (7,1) | (10,9) | 10,0 | — | — | 10,1 | (0,5) |
| Impairment loss | — | — | — | — | — | — | — | — | — | — |
| Gross value 30.06.2018 | 836,9 | 224,5 | 148,1 | 69,8 | 442,3 | 54,7 | 59,3 | 23,2 | 137,2 | 1 416,5 |
| Aggregated depreciation | (229,2) | (28,9) | (72,0) | (1,5) | (102,4) | (3,0) | (41,4) | (13,8) | (58,2) | (389,8) |
| Net value 30.06.2018 | 607,7 | 195,6 | 76,1 | 68,3 | 339,9 | 51,7 | 17,9 | 9,4 | 79,1 | 1 026,7 |

* including fixed assets due to the acquisition of Karl Vogele AG and Shoe Express in the amount of PLN 163,5 million

## 5.3 RIGHT OF THE USE ASSETS AND LEASING LIABILITIES

Due to the implementation of IFRS 16 Leasing, the Company measures lease agreements that give the Company the right to use the leased asset during their term.

The company analyzed the concluded agreements in terms of the application of IFRS 16 „Leasing". The subject matter concerned all financial leasing contracts, operating lease, short-term rental and long-term lease.

In order for a contract to be classified as a leasing contract in accordance with IFRS 16, the following conditions must be met:

1. The contract must relate to an identified asset for which the supplier does not have a significant converting right.
2. It should give the beneficiary the right to control the use of the identified asset for a specified period of time. This means that the user has the right to take advantage of the economic benefits of using a given component and the right to decide on its use.
3. The contract must be payable.
4. The term of the contract is the lease is defined as the irrevocable term of the leasing agreement, including the possible periods of renewal of the lease if the lessee is sufficiently sure that he will use this possibility and possible periods of termination of the lease if the lessee is sufficiently sure that he will not use with this option. The period does not have to be expressed in units of time, it can also be marked by determining the scope of the contract usage, e.g. the quantity of production, to the production of which the asset will be used.

In addition, two elements of simplification concerning contracts are possible:

1. Short-term – short-term lease agreement is a contract with no option to purchase an asset, concluded for a period shorter than 12 months from the beginning of the contract. If an entity decides to use a simplification for a given asset, it must use it consistently for the entire asset class being leased.
2. Low-value – the basis for the assessment of the „low" value should be the value of the new asset. This applies to lease agreements regarding assets whose value did not exceed 5,000. USD (when new), which can be treated as the upper limit of recognition for a low value item.

The simplification of the Company obliges it to apply them throughout the period of validity of the standard. The simplifications used are documented by appropriate accounting policy provisions.

[in PLN million unless otherwise stated]

The tables below present the value of the assets valued and liabilities:

| | RIGHTS OF USE OF ASSETS |
|---|---|
| Value as of 01.01.2018 | 2 076,1 |
| Conclusion of new contracts | 571,2 |
| Changes resulting from the modification of contracts | 37,6 |
| Changes resulting from the change of the scope of the contract – shortening the period – gross value | (7,2) |
| Gross value 30.06.2018 | 2 677,7 |
| Amortization | (223,9) |
| Net value 30.06.2018 | 2 453,8 |

| | LEASE LIABILITIES |
|---|---|
| As of 01.01.2018 | 2 076,1 |
| Interest accrued | 14,7 |
| Payments due to leasing | (241,4) |
| Exchange differences | 38,6 |
| Adding a new contract | 564,7 |
| Modification of the terms of the contract | 19,9 |
| indexation | 17,7 |
| Renewal | 6,7 |
| Change of scope | (6,1) |
| As of 30.06.2018 | 2 490,9 |

[in PLN million unless otherwise stated]

## 5.4 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at purchase price or production cost or the net selling price, depending which of these amounts is lower.

Net selling price it is the estimated selling price in the ordinary course of business less applicable variable selling expenses.
In the event of circumstances as a result of which there has been a decrease in the value of inventories, the impairment loss in cost of sales of goods is made. In case of termination of the circumstances that caused the decrease in the value of inventories, the reversal of impairment is made by deducting the cost of sales of goods. In regard to the disbursement of all inventories of similar kind and similar usage the FIFO method is applied.

i FOR MORE INFORMATION SEE SECTION **3.1.1.2** (FIXED ASSETS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Materials | 29,5 | 2,4 |
| Manufacturing in progress | 58,1 | 49,7 |
| Goods | 1 773,0 | 1 343,2 |
| Finished goods | — | 34,7 |
| Advances for deliveries of goods | — | — |
| Total (gross) | 1 860,6 | 1 430,0 |
| Inventory provision | (15,3) | (12,3) |
| Total (net) | 1 845,3 | 1 417,7 |

In order to determine the amount of impairment, the Management Board relies on the most appropriate available historical data and expectations for sales. Sales of footwear depends mainly on the changing trends and customer expectations.

To determine the value of impairment on the balance sheet date inventories are taken into account that were purchased at least two years in advance. Based on the data relating to sales of footwear conforming to the above conditions, the Group establishes a ratio that is used to estimate the value of impairment of inventories.

[in PLN million unless otherwise stated]

## CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

i FOR MORE INFORMATION SEE 3.1.1.2 (CURRENT ASSETS) IN THE STATEMENTS OF THE OPERATIONS OF GROUP

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| At the beginning of the period | 12,3 | 12,5 |
| Establishment in cost of sales of goods | 4,7 | 10,8 |
| Utilisation | (1,7) | (6,4) |
| Reversal in cost of sales of goods | — | (4,6) |
| At the end of the period | 15,3 | 12,3 |

The creation of an additional impairment loss of inventories or its release concerns goods. Changes in impairments result from the development of the Group's operations and sales policy.

The value of inventories pledged as collateral for repayment of loans is presented in note 4.2.

## 5.5 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

**Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate less the impairment losses (further policy described in note 6.1).
If the amount payable can be expected within one year, receivables are classified as current assets. Otherwise, it is recognized as fixed assets.

**Other receivables**

Other receivables not being financial assets are initially recognized at nominal value and measured on the last day of the reporting period in the due amount.

**Loans granted**

Loans granted are measured initially at their fair values and are measured after initial recognition at amortized cost using the effective interest rate method less the impairment losses (further policy is described in note 6.1).

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Trade and other receivables | 121,3 | 96,6 |
| Provision for receivables | (1,0) | (0,9) |
| Total net receivables | 120,3 | 95,7 |
| Short-term loans granted | 11,2 | 9,1 |
| Payments on future supplies of goods | 249,4 | 106,0 |
| Accrued expenses | 13,4 | 8,9 |
| Tax receivables | 24,0 | 11,9 |
| Receivables from the sale of fixed assets | 11,0 | |
| Other | 20,4 | 28,6 |
| Total other receivables | 318,2 | 155,4 |
| Long-term loans granted | — | — |

Customer receivables are exposed to credit risk and currency exchange risk.

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 6.1.

In relation to this assets of item there are not any receivables overdue

Receivables for the loan is exposed to credit risk and interest rate risk.

i MORE INFORMATION IN SECTION **3.3** (LOANS GRANTED) IN THE STATEMENTS OF THE OPERATIONS OF THE GROUP

| | |
|---|---|
| Credit risk | Policy for risk management presented in note 6.1.<br>In the opinion of the Management Board, the credit quality of the receivables is good.<br>The loan is unsecured and the maximum amount of exposure to credit risk is the nook value of the receivable.<br>The receivable is not expired or no impairment is stated. |
| Interest rate risk | Policy for managing this risk is presented in note 6.1.<br>Analysis of sensitivity to interest-rate changes is presented in note 6.1. |
| Fair value | The fair value of the receivables is close to their book value. |

[in PLN million unless otherwise stated]

## 5.6 CASH

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, bank deposits payable on demand. Overdrafts are presented in the statements of financial position as a component of short-term debt liabilities.

i FOR MORE INFORMATION SEE **3.1.1.2** (CASH) IN THE STATEMENTS OF THE OPERATIONS OF THE GROUP

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Cash in hand | 32,9 | 31,5 |
| Cash at bank | 390,7 | 185,7 |
| Short-term deposits (up to 3 months) | 285,6 | 294,4 |
| Total | 709,2 | 511,6 |

Cash and cash equivalents are exposed to credit risk and currency exchange risk.

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 6.1.

[in PLN million unless otherwise stated]

## 5.7 LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

ACCOUNTING POLICY

Trade liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade liabilities are classified as current liabilities if payment is due within one year. Otherwise, liabilities are recognised as non-current. Other liabilities are measured at the amount due.

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Trade liabilities | | |
| • supply of goods and services | 251,7 | 206,8 |
| • investment | 45,1 | 29,0 |
| • confirming | 467,0 | — |
| Total | 763,8 | 235,8 |
| Liabilities for indirect taxes, duties and other benefits | 87,8 | 59,5 |
| Liabilities to employees | 30,0 | 46,8 |
| Dividend liabilities | 94,7 | — |
| Accrued expenses | 49,2 | 35,6 |
| Other liabilities | 38,5 | 25,0 |
| Total | 300,2 | 166,6 |

Liabilities to suppliers are exposed to currency risk. Management of currency risk and sensitivity analysis are presented in note 6.1.

Liabilities involve liquidity risk (for further information see note 4.3). The fair value of liabilities to suppliers approximates their book value.

i FOR FURTHER DETAILS SEE NOTE **4.3**

[in PLN million unless otherwise stated]

## 5.8 PROVISIONS

ACCOUNTING POLICY

Provision for jubilee awards and retirement benefits and litigations are mainly recognized within the provisions.
The provision for warranty repairs is created as an estimated determination determine of the average level of product returns in respect of the complaints based on historical data.
After making the calculation for several periods and on the basis of gained experience of the Group in order to simplify the estimates made, the average rate of complaints concerning prior periods is calculated. Variable determining the potential returns from sales, upon which the value of the potential claims depends is the amount of revenue from sales in the period.
In subsequent periods some provisions adjustments are made by increasing or releasing depending on the revenue generated from the sales.
Provision for litigations is created in the amount representing the best estimate of the amount required to settle the resulting obligation.

### A defined long-term benefit scheme within the period of employment

Under the terms of the collective labour agreement, a group of employees has the right to receive jubilee awards depending on seniority. Eligible employees receive a lump sum constituting, after 10 years of service, the equivalent of 100% of the base salaries monthly, an amount equivalent to 150% of the base salaries monthly after 15 years of service, after 20 years of service an amount equivalent to 200% of the base salaries monthly and after 25 years of service an amount equivalent to 250% of the base monthly salaries.
The Group recognizes a provision for bonuses payable for the fiscal period and subject to the charging and payment after the end of the fiscal year. The value is determined at the end of the fiscal year.
The Group establishes a provision for future jubilee awards based on actuarial valuation using the projected unit benefits method.

| | PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS | PROVISIONS FOR WARRANTY REPAIRS | OTHER PROVISIONS | TOTAL |
|---|---|---|---|---|
| As of 31.12.2017 | 10,7 | 8,0 | 2,0 | 20,7 |
| Current | 1,5 | 8,0 | 1,8 | 11,3 |
| Non-current | 9,2 | — | 0,2 | 9,4 |
| As of 01.01.2018 | 10,7 | 8,0 | 2,0 | 20,7 |
| Establishment | 0,6 | 2,3 | (1,7) | 1,2 |
| Utilisation | (0,4) | (0,4) | (0,7) | (1,5) |
| Release | (0,3) | — | — | (0,3) |
| Increasing as a result of acquisition of Karl Voegele AG | 8,0 | 1,4 | 21,0 | 30,4 |
| As of 30.06.2018 | 18,6 | 11,3 | 20,6 | 50,5 |
| Current | 1,8 | 11,3 | 20,2 | 33,3 |
| Non-current | 16,8 | — | 0,4 | 17,2 |

[in PLN million unless otherwise stated]

# 6. OTHER NOTES

## 6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

**Impairment of financial assets**

The application of IFRS 9 fundamentally changes the approach to the write-down of financial assets by resigning from the concept of loss incurred in favour of expected loss, where the entire expected credit loss is recognized ex-ante.

In the case of trade receivables, the Group applies a simplified approach and measures the write-down for expected credit losses in the amount equal to the expected credit losses over the entire lifetime using the provisions matrix. The Group uses its historical data on credit losses, adjusted, where appropriate, by the impact of future information.

In the case of other financial assets, the Group measures the write-down for expected credit losses in the amount equal to 12-month expected credit losses. If the credit risk related to a given financial instrument has significantly increased since the initial recognition, the Group measures the write-down for expected credit losses from the financial instrument in the amount equal to the expected credit losses over the entire lifetime.

| | 30.06.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| | LOANS AND RECEIVABLES | OTHER FINANCIAL LIABILITIES | LOANS AND RECEIVABLES | OTHER FINANCIAL LIABILITIES |
| **Financial assets** | 840,7 | — | 616,4 | — |
| Loans granted | 11,2 | — | 9,1 | — |
| Trade receivables | 120,3 | — | 95,7 | — |
| Cash and cash equivalents | 709,2 | — | 511,6 | — |
| **Financial liabilities** | — | 2 020,2 | — | 1 152,9 |
| Debt liabilities | — | 1 256,4 | — | 917,1 |
| Trade liabilities | — | 763,8 | — | 235,8 |

## FINANCIAL RISK MANAGEMENT

There are many different financial risks related to the activities carried out by the Capital Group CCC S.A. The Management Board identifies the main ones: the risk of changes in exchange rates, interest rate change, credit risk (described below) and liquidity risk (see note 4.3).

The only instruments measured at fair value are forward contracts. As at the balance sheet date, the valuation of forward contracts was PLN 15.0 million. For othersfinancial instruments, the fair value does not differ from the carrying amount.

[in PLN million unless otherwise stated]

## RISK OF CHANGES IN CURRENCY EXCHANGE RATES

The Capital Group CCC S.A. operates internationally and therefore is exposed to the risk of changes in currency exchange rates, in particular USD and EUR in relation to the transaction executed in China and costs of stores lease.

The main balance sheet items exposed to foreign exchange risk refer to trade liabilities (for purchase of goods and lease of stores), trade receivables (wholesale of goods and sublease of stores) and cash.

The Group monitors exchange rate fluctuations and systematically takes steps to minimize the negative impact of exchange rate fluctuations, e.g. by including such changes in product prices. The Group does not use hedging instruments.

The following table presents the Group's exposure to foreign currency risk:

| 30.06.2018 | TOTAL BOOK VALUE | POSITIONS IN FOREIGN CURRENCY | | | POSITIONS IN FUNCTIONAL CURRENCY |
|---|---|---|---|---|---|
| | | USD | EUR | INNE | |
| Financial assets | 856,5 | 173,2 | 157,0 | 24,1 | 518,4 |
| Loans granted | 11,2 | — | — | — | 11,2 |
| Trade receivables | 120,3 | 5,3 | 18,4 | 19,3 | 77,4 |
| Derivative financial instruments | 15,8 | 15,8 | | | 15,8 |
| Cash and cash equivalents | 709,2 | 152,1 | 138,6 | 4,8 | 414,0 |
| Financial liabilities | 2 020,2 | — | 20,4 | 0,2 | 2 040,8 |
| Debt liabilities | 1 256,4 | — | — | — | 1 256,4 |
| Trade liabilities | 763,8 | — | 20,4 | 0,2 | 784,4 |

| 31.12.2017 | TOTAL BOOK VALUE | POSITIONS IN FOREIGN CURRENCY | | | POSITIONS IN FUNCTIONAL CURRENCY |
|---|---|---|---|---|---|
| | | USD | EUR | INNE | |
| Financial assets | 616,4 | 41,2 | 131,4 | 21,6 | 423,4 |
| Loans granted | 9,1 | — | — | — | 9,1 |
| Trade receivables | 95,7 | 5,3 | 18,4 | 19,3 | 48,3 |
| Cash and cash equivalents | 511,6 | 36,0 | 113,0 | 2,3 | 361,6 |
| Financial liabilities | 1 153,0 | — | 20,4 | 0,2 | 1 132,4 |
| Debt liabilities | 917,1 | — | — | — | 917,1 |
| Trade liabilities | 235,8 | — | 20,4 | 0,2 | 215,3 |

[in PLN million unless otherwise stated]

## RISK OF INTEREST RATE CHANGES

The Group CCC S.A. is exposed to interest rate change risk mainly due to the debt resulting from concluded loan agreements and issued bonds, cash in bank accounts and loans granted.

The entire debt bears interest at a variable interest rate based on WIBOR. An increase in interest rates affect the cost of debt servicing, which is partially offset by cash deposits and loans granted with variable interest rates.

The Capital Group does not use hedging activities limiting the impact on the financial result of changes in cash flows resulting from changes in interest rates.

If interest rates on debt in the r months ended 30 June 2018 were 1 p.p. higher/lower, the profit for the period would be about PLN 6.8 million (2017: PLN 0.3 million higher/lower). The following table presents a sensitivity analysis of the risk of changes in interest rates, which in the opinion of the Group would be reasonably possible at the balance sheet date.

## CREDIT RISK

Credit risk it is the Group's risk to incur financial losses due to a failure by the customer or counterparty to a financial instrument to meet its contractual obligations. Credit risk is mainly related to the Group's receivables from customers (due to wholesale), loans granted and cash and cash equivalents in bank accounts

The maximum exposure to credit risk at balance sheet date (30 June 2018 and 31 December 2017) is presented in the table below:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| | | Niebadane |
| Loans granted | 11,2 | 9,1 |
| Trade receivables | 120,3 | 95,7 |
| Cash and cash equivalents | 709,2 | 511,6 |
| Total | 840,7 | 616,4 |

[in PLN million unless otherwise stated]

The lifetime structure of receivables, together with information on impairment of receivables are presented in note 5.4

Due to the fact that the Group's wholesale customers do not have external ratings, the Group independently monitors the exposure to credit risk associated with receivables from customers through periodic analysis of the financial situation of the counterparties, setting credit limits and collateral promissory note from the franchise recipients.

Due to the lifelong cooperation with its counterparties, the Group assesses the credit risk of receivables from those counterparties as low.

Credit risk is further reduced by concluded framework agreements for offsetting of receivables from customers with liabilities (as described in note 6.1).

Credit risk related to financial instruments in the form of cash in bank accounts is limited, due to the fact that the parties to the transaction are banks with high credit ratings received from international rating agencies.

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Banks with a rating of A | 38,5 | 1,0 |
| Banks with a rating of A- | 541,4 | 429,0 |
| Banks with a rating of B+ | 0,6 | 1,9 |
| Banks with a rating of BB | — | — |
| Banks with a rating of BAA1 | 0,1 | 0,4 |
| Banks with a rating of BAA2 | 0,1 | 0,1 |
| Banks with a rating of BAA3 | — | — |
| Banks with a rating of BBB+ | 64,3 | 16,2 |
| Banks with a rating of BBB- | 30,4 | 29,6 |
| Banks with a rating of BBB | 0,9 | 1,9 |
| Total cash at banks | 676,3 | 480,1 |

The Group has no significant concentration of credit risk. The risk is spread over a large number of banks, whose services are used, and customers it cooperates with.

## 6.2 ACQUISITION OF SUBSIDIARIES

### ACQUISITION OF SHOE EXPRESS S.A.

On April 25, 2018, the Capital Group CCC S.A. (through the company CCC Shoes and Bags Sp. z o.o.) acquired from the current shareholders (Mr. Vinod Arora and Mr. Vinay Kumar Arora) the company SHOE EXPRESS S.A., based in Bucharest (Romania) („SHOE EXPRESS") 100% of SHOE EXPRESS shares. The acquired shares constitute 100% of the share capital of SHOE EXPRESS and represent 100% of votes at the General Meeting of this company.

The payment for shares amounted to PLN 135.5 million (equivalent of EUR 31.5 million plus RON 2.7 million) payable in cash and consisted of the payment price from the share purchase agreement in SHOE EXPRESS S.A. in the amount of EUR 9.9 million and RON 0.1 million (PLN 41.8 million in total) and payment for the transfer of an organized part of the enterprise by Peeraj Brands International SRL to SHOE EXPRESS S.A. in the amount of EUR 23.1 million and RON 2.6 million (in total PLN 93.7 million).

The date of the taking control was assumed on April 25, 2018, due to the fulfillment of all conditions precedent and the operational takeover of store stores (including stores employees) on that day.

The business of SHOE EXPRESS is the sale of footwear and fancy goods in offline stores located in shopping malls and other sales units in Romania. This transaction is the next stage of international expansion, consistent with the CCC Group strategy – entering one of the most promising markets, especially in terms of margins and profitability.

In the current reporting period, the Capital Group CCC S.A. performed the initial identification of the assets and liabilities of the acquired business and recognized them as at the acquisition date in the consolidated financial statements in the amounts determined provisionally since the Group has not yet completed work related to the identification and valuation of acquired assets and liabilities. Settlement at a fair value will take place in the future, no later than 12 months from the date of taking control over SHOE EXPRESS S.A. The Company expects adjustments related to the valuation of assets and liabilities at a fair value, as well as the identification and valuation of intangible assets.

Estimates and assumptions related to the initial identification and valuation of selected items of acquired assets and liabilities at a fair value were presented in the further part of the note.

The accounting data was adopted on the basis of the financial statements of SHOE EXPRESS S.A. as at April 25, 2018, that is the date of taking control. In the opinion of the Management Board of CCC S.A. regarding other issues, there are no significant differences in the accounting data between the date of preparation of the financial statements by SHOE EXPRESS S.A. and the date of taking control. Details of the initially estimated fair value of the acquired net assets, goodwill and purchase price as at the date of acquisition of control are presented below (in PLN million):

| | BOOK VALUE ACCORDING TO THE FINANCIAL STATEMENTS OF THE ACQUIRED COMPANY (IN PLN MILLION) | FAIR VALUE ADJUSTMENTS AND OTHER ADJUSTMENTS (IN PLN MILLION) | PRE-DETERMINED FAIR VALUE (IN PLN MILLION) |
|---|---|---|---|
| Capitalized values of identifiable assets and liabilities acquired | 379,2 | 371,2 | |
| Tangible fixed assets | 97,5 | — | 97,5 |
| Assets due to the right of use | — | 47 | 47 |
| Intangible assets | — | — | — |
| Deferred income tax assets | — | — | — |
| Inventory | — | — | — |
| Trade receivables and other receivables | 21 | — | 21 |
| Prepayments | 1 | — | 1 |
| Cash and cash equivalents | 5 | — | 5 |
| Trade liabilities and other liabilities | 32 | — | 32 |
| Liabilities for post-employment benefits | — | — | — |
| Borrowings | 0,5 | — | 0,5 |
| Leasing liabilities | — | 47 | 47 |
| Provisions for liabilities | — | — | — |
| Deferred income tax liabilities | — | — | — |
| Total identifiable net assets | | | 92 |
| Pre-determined goodwill | | | 43,5 |
| Total | | | 135,5 |
| Remuneration for acquisition | | | 135,5 |
| Paid in cash | | | 133,1 |
| Deferred paymen | | | 2,4 |
| Cash acquired, including: | | | 5 |
| – restricted cash | | | — |
| Cash expenses due to acquisition | | | 128,1 |

The fair value of purchased receivables is in line with their book value and no impairment loss has been recognized.

[in PLN million unless otherwise stated]

The methods and key assumptions that will be adopted for the final valuation of the SHOE EXPRESS net assets to fair value for selected groups of assets and liabilities are presented in the table below.

| ITEMS AFFECTED BY FAIR VALUE ADJUSTMENTS | DESCRIPTION | METHOD/KEY ASSUMPTIONS |
|---|---|---|
| Tangible fixed assets | Assets held by the acquired company | Determining the fair value using the discounted cash flow method |
| Assets due to the right to use and leasing liabilities | Assets and liabilities resulting from lease agreements for premises | Valuation in accordance with IFRS 16 |
| Intangible assets | Recognized intangible assets | Determining the fair value using the discounted cash flow method |
| Inventory | Inventories held by the acquired company | Method of the realizable sales price (assuming a reasonable level of profit on sales) less the costs necessary to finalize the sale |
| Deferred tax | Deferred tax recognized against adjustments to fair value | Tax rates applicable in individual countries where the acquired company runs its activity have been adopted (Romania – 16%) |

Provisional goodwill in the amount of PLN 43.5 million due to the acquisition refers to the acquired customer base and economies of scale expected from the merger of the Company's operations with SHOE EXPRESS S.A., as well as separated unrecognized intangible assets for the purpose of provisional settlement as at the acquisition date.

No part of the goodwill recognized will be deductible for income tax purposes.

Costs related to the acquisition of SHOE EXPRESS S.A. amounted to PLN 123.1 thousand and were recognized as general administrative expenses in the consolidated statement of financial result and other comprehensive income.

Revenues of the company SHOE EXPRESS S.A. recognized in the consolidated statement of financial result and other comprehensive income since April 25, 2018 amounted to PLN 41.5 million. SHOE EXPRESS S.A. in addition, in the same period, it generated a net profit of PLN 9 million. As a result of the above changes, there was an increase/decrease in the basic and diluted earnings per share attributable to the shareholders of the Parent Company for the period from January 1, 2018 to 30 June 2018 from PLN 1.39/share to PLN 1.60/share.

If SHOE EXPRESS S.A. was subject to consolidation from January 1, 2018, the consolidated statement of financial result and other comprehensive income would show „pro-forma" income of PLN 58 million and „pro-forma" profit in the amount of PLN 10.5 million.

## ACQUISITION OF KARL VOGELE AG

On June 18, 2018, NG2 Suisse GmbH, a subsidiary of CCC S.A., acquired 70% of Karl Voegele AG („KVAG") for the amount of CHF 10 million, which represent 70% of votes at the General Meeting of this company. Thus the NG2 Suisse GmbH took control of a company with a network of shoe stores in Switzerland. This transaction is the next stage of implementation of the strategy of CCC S.A. Capital Group in the area of development of the sales network, that enables entering a new market on the basis of the second most recognizable brand with nearly 100 years of tradition on the Swiss market. The acquisition of KVAG occurred after the conditions precedent set out in the concluded preliminary sales agreement concluded on 22 May 2018 were fulfilled.

In addition, a shareholder agreement was concluded between the acquirer and Phi-Ram Holding AG (remaining non-controlling shareholder of KVAG), which provides for the option of acquiring the remaining 30% of KVAG shares by CCC S.A. If the put option is exercised by the non-controlling shareholders of KVAG or the call option by CCC S.A., the CCC Group will be required to purchase a 30% stake in KVAG for a price corresponding to 30% of the amount calculated as four times KVAG's EBITDA for 2021 less its net debt at the end of 2021. Options are executable from May 31, 2022 with the option of extending the implementation date by the Parties.

If the option is implemented by one of the parties then the options will be settled. The settlement price is the same for both parties to the agreement. The obligation to acquire a non-controlling portfolio of shares resulting from the put option was recognized in the consolidated financial statements at the current value estimated at the time of recognition of remuneration for the remaining shares and included in equity (retained earnings) in the amount of PLN 53.6 million.

The liability was estimated based on 30% of the forecasted difference for KVAG between the EBITDA ratio multiplied by the factor 4 and the net debt for 2021 (according to the put and call options).

The nominal value of the liability resulting from the 30% x (4 x EBITDA – net debt) multiplier amounted to CHF 15.1 million, which after conversion amounts to PLN 56.4 million as at the acquisition date and PLN 57.3 million as at the balance sheet date, respectively.

The nominal amount calculated in the above manner was discounted using the interest rate at the level of the average debt cost for CCC S.A. The liability value as at the acquisition date was CHF 14.4 million (PLN 53.6 million) and as at the balance sheet date PLN 54.4 million.

The liability for minority buyout of shares in KVAG is a variable price, calculated based on EBITDA and net debt of this company. Due to such a price structure, it is probable that the risks and benefits related to the non-controlling package of shares covered by the option were not transferred to CCC S.A. as at the option issue date. Therefore, the financial liability under the put option reduces equity.

If the option is re-priced, its effect will be recognized in the financial result in the position of financial costs/revenues. Clearing the discount will be recognized in subsequent periods by the financial result in the item of financial costs.

## TRANSFERRED PAYMENT

The fair value of the payment transferred corresponds to the total of the amounts:

- CHF 9.5 million (PLN 35.3 million) paid in cash as at the acquisition date, and
- CHF 0.5 million (PLN 1.9 million) to be paid in cash after six months from the acquisition date.

## FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES

The following table shows the fair values of the acquired net assets of KVAG broken down by main categories.

| ASSETS (IN CHF THOUSAND) | FAIR VALUE AS OF 18.06.2018 IN THOUSAND PLN |
|---|---|
| Fixed assets | |
| Intangible assets | 5 491 |
| Trademark, customer relations | to be valued |
| Tangible fixed assets | 89 150 |
| Investments | 2 128 |
| Current assets | |
| Inventory | 110 395 |
| Trade receivables | 1 773 |
| Other receivables | 43 099 |
| Cash and cash equivalents | 32 628 |
| Total | 284 664 |

| LIABILITIES | FAIR VALUE AS OF 18.06.2018 IN THOUSAND PLN |
|---|---|
| Non-current liabilities | |
| Provisions | 7 909 |
| Deferred income tax | 5 146 |
| Current liabilities | |
| Credits and loans | 27 848 |
| Trade liabilities | 24 364 |
| Other liabilities | 26 235 |
| Provisions | 22 037 |
| Total | 113 539 |
| Nett assets | 171 125 |

## PROFIT ON BARGAIN ACQUISITION

Profit on bargain acquisition was determined as follows:

| CALCULATION OF PROFIT FROM A BARGAIN PURCHASE | | VALUE (IN THOUSAND CHF) |
|---|---|---|
| Payment transferred | + | 10 000 |
| Non-controlling shares | + | 14 439 |
| Net value of KVAG's assets and liabilities | – | 46 088 |
| Profit from bargain acquisition | | (21 649) |
| CHF exchange rate as of 18.06.2018 | | 3,713 |
| Profit from bargain acquisition (PLN) | | (80 382) |

The profit from the bargain acquisition was included in a separate line in the statement of comprehensive income.

Non-controlling interests were valued at fair value determined based on the valuation of the put and call options described earlier.

The settlement was preceded by an initial assessment of the completeness of the identified assets and liabilities acquired under the transaction in question and the verification of the methods and assumptions adopted to determine their fair values.

The economic situation of the Company at the time of acquisition influenced the specified level of the price offer and the valuation of the entity during the negotiation and conclusion of transactions. This was the direct cause of the profit on bargain acquisition described above. Additionally, the bargain acquisition profit described above includes the necessary actions that the Capital Group will have to take to improve its economic efficiency.

The above settlement is provisional. The company is in the process of allocating the acquisition price along with the full analysis of KVAG's net assets, including in particular during the valuation of its trademark. The final settlement of the acquisition of KVAG and disclosure of all required information shall take place within one year of the transaction date. The intention of the Company is to do it in the shortest possible time, while maintaining the integrity of the process.

Revenues of the company KVAG recognized in the consolidated statement of financial result and other comprehensive income since June 18, 2018 amounted to PLN 20.3 million. KVAG S.A. in addition, in the same period, it generated a net profit of PLN 9.6 million. As a result of the above changes, there was an increase/decrease in the basic and diluted earnings per share attributable to the shareholders of the Parent Company for the period from January 1, 2018 to June 30, 2018 from PLN 1.36/share to PLN 1.60/share.

If KVAG was subject to consolidation from January 1, 2018, the consolidated statement of financial result and other comprehensive income would show „pro-forma" income of PLN 263.6 million and „pro-forma" loss in the amount of PLN 70.4 million.

In the event of obtaining information about facts and circumstances that existed at the acquisition date, the above amounts will be retrospectively restated in the next consolidated financial statements.

## TRANSACTIONS WITH RELATED ENTITIES

In the periods presented the Group made the following transactions with related entities:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Entities related to members of key management personnel | | |
| Transactions in the fiscal year: | | |
| Sale | 0,1 | 0,8 |
| Purchase | 4,8 | 6,5 |
| Transactions in the fiscal year: | | |
| Receivables | — | 0,9 |
| Liabilities | 0,1 | 0,3 |

Transactions with related entities were concluded under market conditions.

## 6.3 REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

| IN '000 PLN | FIXED REMUNERATION | PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING | OTHER (BONUSES) | TOTAL |
|---|---|---|---|---|
| 30.06.2018 | | | | |
| Members of Management Board | 1 820,0 | 1 857,8 | 720,0 | 4 397,8 |
| Supervisory Board | 201,0 | — | — | 201,0 |
| Total | 2 021,0 | 1 857,8 | 720,0 | 4 598,8 |
| 30.06.2017 | | | | |
| Members of Management Board | 2 284,8 | — | — | 2 284,8 |
| Supervisory Board | 196,6 | — | — | 196,6 |
| Total | 2 481,4 | — | — | 2 481,4 |

## 6.4 PAYMENTS IN THE FORM OF SHARES

ACCOUNTING POLICY

The Group runs a program of benefits based on shares settled in capital instruments, under which the entity receives services of employees in exchange for equity instruments (options) of the Group. The fair value of employee's services received in exchange for granting options is recognized as an expense over the period of conferring rights to exercise the option in correspondence to equity – retained earnings.

The total amount subject to recognition in cost is determined by referring to the fair value of options granted at the date of granting the option:
- taking into account any market conditions (for example entity's share price);
- excluding the impact of any related work experience and non-market conferring rights (for example, sales profitability, the goals connected with growth in sales and the indicated period of the compulsory employment of the employee in the unit); and
- taking into account the impact of any conditions unrelated to conferring the rights (for example, the requirement by the current staff to keep received instruments for a specified period).

At the end of each reporting period, the entity revises the made estimates of the expected number of options to which rights are to be conferred as a result of the conditions of conferring rights of a non-market. The Group presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity.
In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.
Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value.
Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

On 13 April 2017, the Ordinary General Meeting of Shareholders adopted a resolution regarding conditional increase of On 13 April 2017, the Issuer's Supervisory Board adopted a resolution on giving the positive opinion and conditional approval of the three-year Incentive Scheme presented by the Issuer's Management Board for 2017-2019 („Scheme"), subject to a positive decision of the Issuer's General Meeting regarding conditional share capital increase of the Issuer and issuance of shares and subscription warrants for the implementation of the Scheme. The main objectives of the scheme are additional, long-term motivation of the CCC Capital Group managers to implement the Group's strategy in 2017-2019 and taking actions and efforts aimed at further development of the Group and its perspectives for 2020 and another years – as a consequence of increasing the value of the Company's shares and the value for shareholders. The Scheme provides for the issuance of no more than 1,174,920 Warrants and no more than 1,174,920 Series F shares. The persons entitled to take it up are the members of the Management Board, members of the management board of subsidiaries, members of the management of the company, members of the management of subsidiaries, however the warrants cannot be offered to the persons directly or indirectly holding at least 10% of the Company's stake. The condition for granting the rights to subscribe for the Warrants is that the persons concerned obtain positive performance review for 2017-2019. The total number of persons entitled under the incentive scheme will not exceed 149 people. The scheme assumes minimum EBITDA thresholds (which condition the launch of the Scheme tranches) at PLN 550, 650 and 800 million for 2017, 2018 and 2019 respectively, that is, a total of not less than PLN 2 billion in this period.

## 6.5 CONSOLIDATION

ACCOUNTING POLICY

Subsidiaries these are all business entities over which the Group exercises control. Subsidiaries are subject to a full consolidation from the date of transfer of control to the Group. Consolidation ceases from the date of cessation of control.
The Group recognizes the business combination using the purchase method. The payment given for the acquisition of the venture it is the fair value of the assets given, liabilities incurred to the previous owners of the acquiree and the equity shares issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured at initial recognition at their fair values at the acquisition date. The Group recognizes at the acquisition date any non-controlling shares in the acquiree either at fair value or according to the proportionate share (corresponding to the share not giving control) in identifiable recognized net assets of the acquiree.
The excess of the cost of acquisition and non-controlling shares over the fair value of net assets acquired is recorded as goodwill.
Transaction costs are recognized in the financial result when incurred.
Intra-group transactions and balances and unrealized gains on transactions between the entities of the group are eliminated.
Related entities (indirectly and directly) from CCC S.A. are presented in the table below:

| SUBSIDIARIES OF CCC S.A. | HEADQUARTERS/COUNTRY | TYPE OF BUSINESS ACTIVITY |
|---|---|---|
| CCC Factory Sp. z o.o. | Polkowice, Poland | manufacturing |
| CCC Czech s.r.o. | Prague, Czech Republic | commercial |
| CCC Slovakia s.r.o. | Bratislava, Slovakia | commercial |
| CCC Hungary Shoes Kft. | Budapest, Hungary | commercial |
| CCC Austria Ges.m.g.H | Graz, Austria | commercial |
| CCC Obutev d.o.o. | Maribor, Slovenia | commercial |
| CCC Hrvatska d.o.o. | Zagreb, Croatia | commercial |
| CCC Germany G.m.b.h. | Frankfurt, Germany | commercial |
| CCC Shoes Ayakkabycylyk Limited Sirketi | Istambul, Turkye | commercial |
| CCC Isle of Man | Douglas, Isle of Man | service |
| CCC.eu sp. z o.o. | Polkowice, Poland | purchase and selling |
| CCC Shoes & Bags sp. z o.o. | Polkowice, Poland | investment |
| CCC Shoes Bulgaria EOOD | Sofia, Bulgaria | commercial |
| eobuwie.pl S.A. | Zielona Góra, Poland | commercial |
| NG2 Suisse sarl | Zug, Switzeland | service |
| CCC Shoes & Bags d.o.o. Beograd – Novi Beograd | Belgrad, Serbia | commercial |
| eschuhe.de UG | Frankfurt on the Oder, Germany | commercial |
| Traf Logistics sp. z o.o. | Zielona Góra, Poland | logistic |
| CCC Russia sp. z o.o. | Moskwa, Russia | commercial |
| Shoe Express S.A [1] | Bocharest, Romania | commercial |
| Karl Voegele AG [2] | Uznach, Switzerland | commercial |

In reporting period there were no organizational changes in the Capital Group.

[1] Shoe Express S.A. consolidated since 25.04.2018

[2] Karl Voegele AG consolidated since 18.06.2018

## 6.6 EVENTS AFTER BALANCE SHEET DATE

On 29 April 2018, the Capital Group CCC S.A. (through the company CCC S.A.) signed the agreement for the purchase of an organized part of the enterprise from Adler International Sp. z o.o. sp. k. (limited liability company, limited partnership)

The acquired organized part of the company is a network of stores selling footwear marked with the CCC logo in the Podkarpackie, Małopolskie and Świętokrzyskie voivodships together with the employees of these stores.

The date of taking control was assumed on July 1, 2018, due to the fact that on that day at CCC S.A. gained the right to run stores together with all the benefits and obligations in this respect.

The amount of payment for the acquired organized part of the enterprise was set at PLN 77 million payable in cash. The payment price does not take into account any conditional payments.

The total value of purchased movables (including, in particular, the equipment of stores and equipment necessary to serve stores customers) specified in the agreement amounted to PLN 15.4 million, while the value of expenditure on stores specified in the agreement (investments in external fixed assets) was 12.6 million PLN. Under the agreement, no cash or trade receivables that arose until the acquisition date were transferred as part of the transaction. The Group also does not identify, as at the date of signing these financial statements, other types of receivables that need to be included in the acquisition settlement.

As at the date of this interim financial statements, the Group has not yet completed the process of identifying the assets and liabilities of the acquired business and their valuation. Settlement at fair value will take place next time, not later than 12 months from the date of taking control. The Company expects adjustments related primarily to the identification and valuation of intangible assets as well as assets and liabilities due to taken over lease agreements.

As at the date of signing these financial statements, the Group does not identify any contingent liabilities related to the acquisition transaction.

Other requirements of IFRS 3 regarding the disclosure of information regarding the acquisition transactions effected after the end of the reporting period do not concern the takeover of an organized part of the enterprise from Adler International Sp. z o.o. sp. k.

The Group expects that the company's goodwill will be recognized due to the final settlement of the acquisition, which will be the expected economies of scale and the synergy effect of the merger of businesses. No part of the goodwill value calculated at a later date will be deductible for income tax purposes.

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The CCC Group (hereinafter „CCC") made a joint venture investment in DeeZee (together: „The Parties"), commencing cooperation in the business and capital areas (hereinafter the „Transaction").

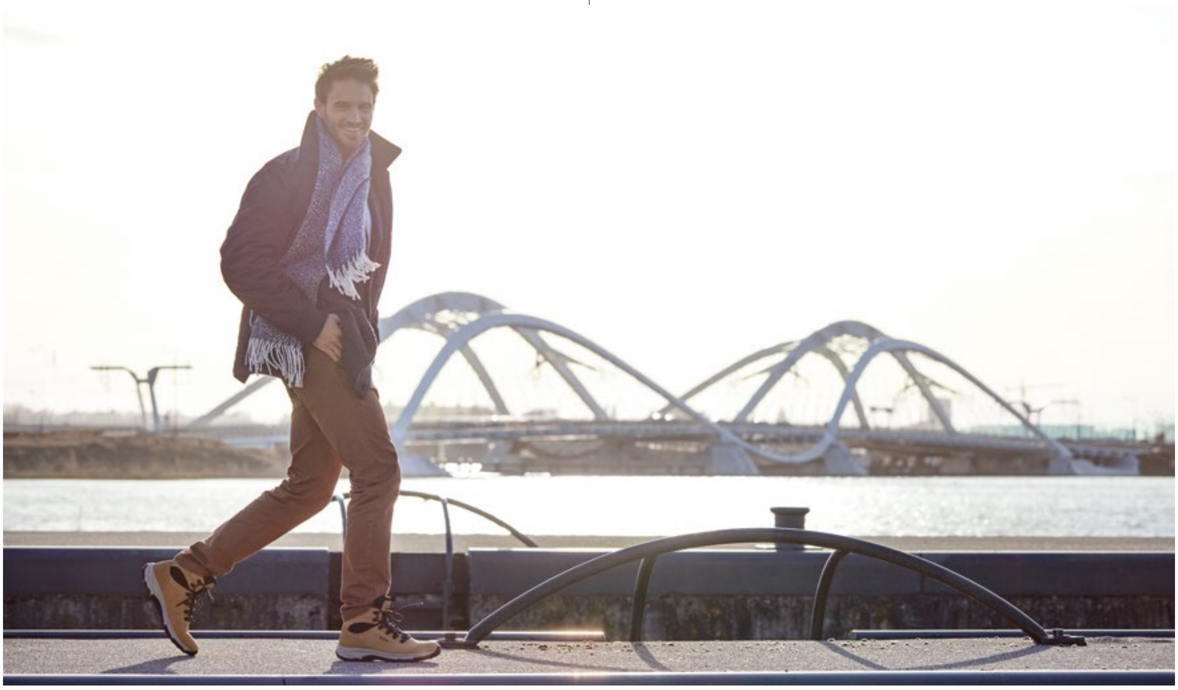
On July 3, 2018, the parties signed the Investment Agreement (hereinafter the „Agreement"), in which the entity representing the CCC Group is the company CCC SHOES & BAGS Sp. z o. o.. The agreement specifies the detailed terms of the target investment, in total up to PLN 20 million, thanks to which CCC will obtain up to 75% in share capital and votes at the shareholders' meeting in DeeZee.

The investment will be carried out in two stages, in the way that in the first stage CCC will contribute the capital of DeeZee with the amount of PLN 13 million and in return will take over 51%. The remaining amount of PLN 7 million will constitute the due price, providing 24% in the share capital. In addition, the Parties show interest in establishing the terms of cooperation and granting mutual purchase/ sale options for the remaining 25% of shares in the share capital and in voting rights. The implementation of the Transaction is conditional upon the fulfillment of a number of conditions. As part of the signed agreement, CCC will contribute DeeZee with the amount of PLN 13 million and in return will take over 51% of shares in the Company's business. At the same time, the parties agreed on the conditions for a further gradual share increase by CCC, potentially up to 100% within next 5 years.

DeeZee has been operating on the Polish online footwear market since 2005 and is one of the most recognizable independent online stores in this segment. In 2017, it generated revenues of PLN 35 million. The constant presence of the brand in social media affects the large and constantly growing popularity of the website service (over 1.3 million Facebook fans, Instagram), maintaining a wide network of contacts in the fashion industry, which translates into presence in press, and active marketing policy.

In the near future, thanks to cooperation within the CCC Group, the synergies will be developed – DeeZee will use, among others, from CCC support to expand its range and improve trade conditions, and as a result to offer customers even more fashionable products and accelerate the growth of own sales. DeeZee allows CCC to establish better contact with young clients (15-24), and to increase the range of the offer addressed to this target group.

On August 2, 2018, eobuwie.pl S.A. Logistics sp. z o.o. concluded a conditional agreement on transferring ownership of an undeveloped real estate consisting of a plot of the area of 14,9889 ha. The sales agreement shall be concluded under the condition that the State Treasury represented by the State Forests will not exercise its pre-emptive right. The gross value of the agreement amounts to PLN 11 million.



The financial statements were approved for publication by the Management Board of the Company on 24 August 2018 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

| | | |
|---|---|---|
| Edyta Banaś | Chief Accountant | |

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

| | | |
|---|---|---|
| Dariusz Miłek | President of the Management Board | |
| Mariusz Gnych | Vice-President of the Management Board | |
| Marcin Czyczerski | Vice-President of the Management Board | |
| Karol Półtorak | Vice-President of the Management Board | |

Polkowice, 24 August 2018